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The Newspaper of the Food Service Industry

25TH ANNIVERSARY

MUFSO '84

The 25th Annual
Multi-Unit Food Service
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Sept. 30—Oct. 3, 1984
Loews Anatole Hotel,
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Nation's Restaurant News SEPT. 10

INTERNATIONAL DEVELOPMENTS
As domestic markets become increasingly saturated, operators are turning their attention to the vast dollar potential overseas. This section gives the latest rundown on who is where on the globe and why, as well as showing the effect of a strong dollar towards international business.
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Nation's Restaurant News SEPT. 24*

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MULTIUNIT TRENDS

In search of the gold McNuggets: Shrewd McD marketing pays off

By Charles Forman
Executive Editor

Marketing whizzes pay heed. For some time now the headlines and accolades celebrating supposed marketing acumen have concentrated on recognizing noisy comparative ad campaigns and certain new product intros that still have to prove themselves.

Serious students of the selling of fast food '84 may want to lift their magnifying glasses off images of Clara Peller, "Whopper Beat the Big Mac" storyboards, and wires from the commodities exchanges telling who's cornered the potatoes.

One of the most fabulous stories in chain food service has to be the peddling of McDonald's Chicken McNuggets. Roughly three-quarters of a billion dollars of McNuggets were sold last year. During the next 12 months that number could close in on $1 billion.

Mind-boggling as numbers like these should be, they're more impressive when you consider that the current powerful boost Chicken McNuggets is giving McDonald's sales is really a turnaround.

It's a testament to a shrewdly timed intro last summer of the 9-pack and 20-pack boxes of McNuggets. It's evidence, too, of advertising's power to drill a big chain's new products into the collective consumer consciousness and make them move across the counter.

According to figures provided by Restaurant Trends, Middletown, N.J., McNugget sales were clearly tailing off by last year's second quarter. The product, originally promoted as a side-dish check builder (more truthfully it was probably intended to sell little kids up from a 60¢ hamburger to a $1.25 entree), was in trouble.

Remember, too, that McDonald's breakfast, which has dominated fast-food's morning meal efforts, was also feeling the pinch. A lot of conferring must have been going on at Oak Brook, Ill., main headquarters.

Then came the new McNugget sizes and with them the Leo Burnett ad agency's "McNugget Mania" campaign kicked off in early August.

Third-quarter '83 tabulations by Restaurant Trends show McNuggets percentage of overall store sales kicking up by almost a half over the previous quarter to 11.74%.

Although some slippage has occurred over the last year the numbers lead to some significant conclusions.

The most important is that McNuggets are now driving McDonald's store sales. With consistent regularity McDonald's units that are making the greatest percentage gains in

(Continued on page 20)

PRODUCT INFORMATION BY QUARTER

McDonald's Chicken McNuggets

	Average Months Served	% of Overall Sales	Product Price	% Change in Overall Store Sales*
1982				
1st Qtr.	3.5 Mos.	9.55%	NA	1.90%
2nd Qtr.	3.89	9.96	NA	8.96
3rd Qtr.	4.66	11.63	NA	9.09
4th Qtr.	6.35	9.67	NA	4.59
1982 Total	4.82	10.27	NA	6.43
1983				
1st Qtr.	8.37	10.27	NA	5.82
2nd Qtr.	13.01	7.85	$1.29	5.95
3rd Qtr.	13.01	11.74	1.30	8.60
4th Qtr.	13.57	11.93	1.30	12.10
1983 Total	12.69	10.78	1.30	8.93
1984				
1st Qtr.	21.12	10.50	1.32	9.45

Source: Restaurant Trends

*Month over prior month year earlier.

STORE SALES CHANGES OF MAJOR CHAINS

Three Months Moving Average 4/84-6/84

	Average Monthly Per Cent Change Over Previous Year			
	Nominal Sales	Price	Real Sales	Prior 3 Mos. Real Sales
Arby's	7%	2%	5%	NA
Big Boy	11	3	8	8%
Burger King	12	1	11	14
Church's	10	3	7	8
Denny's	4	3	1	2
Dunkin' Donuts	6	2	4	2
Friendly Ice Cream	4	3	1	2
Hardee's	7	1	6	6
Howard Johnson	6	2	4	5
Jack-in-the-Box	8	2	6	9
Kentucky Fried Chicken	11	3	8	5
Long John Silver's	8	3	5	6
McDonald's	11	1	10	10
Pizza Hut	12	3	9	11
Ponderosa	16	4	12	10
Taco Bell	18	2	16	13
Wendy's	19	2	17	14
Winchell's	12	2	10	11
Average	10.1%	2.3%	7.8%	7.8%
Eating & Drinking Places April thru June	7.2%	4.2%	2.8%	6.1%
Food Stores April thru June	6.3%	2.6%	3.7%	3.6%

Source: Restaurant Trends

REAL SALES CHANGES

	Average Stores				Eating & Drinking Places	Food Stores
	Coffee Shops	Fast Food		Total		
		Hamburger	Other			
1981						
1st Qtr.	(1.8)%	0.6%	0.8%	0.3%	([illegible])%	(1.2)%
2nd Qtr.	3.7	1.6	1.9	2.2	2.1	2.4
3rd Qtr.	0.9	(0.7)	1.0	0.7	1.6	3.0
4th Qtr.	(2.4)	(0.1)	0.6	(0.3)	0.3	4.4
1982						
1st Qtr.	(3.5)	(0.1)	(0.3)	(0.9)	(0.7)	2.3
2nd Qtr.	(0.9)	4.9	2.0	2.2	1.7	0.8
3rd Qtr.	2.1	6.0	1.8	3.1	4.4	1.3
4th Qtr.	2.8	5.6	2.6	3.3	6.9	1.7
1983						
1st Qtr.	3.2	6.9	3.1	4.2	6.8	1.5
2nd Qtr.	4.0	6.7	4.2	4.8	6.0	2.6
3rd Qtr.	4.7	7.7	4.4	5.6	6.4	5.2
4th Qtr.	3.3	11.5	4.7	6.3	4.4	2.8
1984						
1st Qtr.	3.9	10.3	8.1	7.8	6.1	3.6
2nd Qtr.	3.4	9.2	8.9	7.8	2.8	3.7

Source: Restaurant Trends

McNugget marketing pays off for McDonald's

PRODUCT INFORMATION BY MONTHS SERVED

McDonald's Chicken McNuggets

	Average Months Served	% of Overall Sales	Product Price	% Change In Overall Store Sales*
1982				
0-6 Mos.	3.15 Mos.	10.79%	NA	6.33%
7-12	9.13	8.45	NA	7.18
13+	19.50	8.25	NA	4.50
1983				
0-6	4.04	11.10	$1.28	9.98
7-12	10.55	10.26	1.29	7.35
13+	20.73	11.09	1.30	9.69
1984				
0-6	5.40	8.40	1.44	4.20
7-12	11.07	10.64	1.26	7.21
13+	24.60	10.38	1.31	10.65

Source: Restaurant Trends

*Month over prior month year earlier.

PRODUCT INFORMATION BY REGION

McDonald's Chicken McNuggets

	Average Months Served	% of Overall Sales	Product Price	% Change In Overall Store Sales*
1982				
Northeast	4.31 Mos.	11.14%	NA	6.22%
N. Central	3.75	10.24	NA	5.68
South	4.64	10.68	NA	7.56
West	6.65	8.89	NA	6.44
1983				
Northeast	16.49	12.46	$1.39	9.07
N. Central	10.72	10.34	1.25	8.63
South	12.56	10.50	1.28	10.02
West	12.45	10.16	1.30	7.23
1984				
Northeast	23.33	11.63	1.41	9.77
N. Central	17.14	10.41	1.26	6.41
South	19.12	9.45	1.29	11.04
West	30.00	10.64	1.36	12.35

Source: Restaurant Trends

*Month over prior month year earlier.

(Continued from page 18)

overall sales are also registering the highest percentages for McNuggets as a dollar portion of overall product sales mix.

The numbers doublecheck when looked at the other way around, too. Stores with the highest proportion of McNugget sales are those that are making the greatest sales gains.

Making these Restaurant Trends findings look good for at least a while to come are the cross-checks that show that McNuggets sales are holding up without apparent problem in stores that have offered them longest.

Two other findings are notable. One is that the product appears possessed of some rather happy inelasticity. (This refers to sales, not the breaded and deep-fried chunks of white- and dark-meat chicken.)

Chicken McNuggets prices are highest at the units where they're chalking up the best share of overall mix. Potentially, this means the others could up their prices a dime or 15¢ for six-piece servings and maintain or better McNuggets's share.

> *'Stores with the highest proportion of McNugget sales are also those that are making the greatest sales gains.'*

The final thing worth picking up from the Restaurant Trends trackings of this product is that it's selling best in the Northeast.

Just why isn't certain. McNuggets have been in stores on the West Coast longer. Perhaps the finger food aspect of the product is more acceptable to a customer base with a more varied ethnic mix.

* * *

Leading the way in second quarter real sales gains among the 18 chains tracked by Restaurant Trends are Wendy's and Taco Bell. Both have been riding the crest of new product introductions.

Others with 10% or better real sales gains measured on an April through June moving average are Ponderosa—chain executives give their 30-ft. salad bar full credit, Burger King, McDonald's and Winchell's.

Struggling hardest are family restaurant operators Denny's and Friendly Ice Cream.

The blessings of economic recovery and continued strength obviously continue to accrue to the fast-food operators with the coffee shops getting the leavings.

Importantly, the big chains sales gains are continuing to run well ahead of those the Commerce Department is reporting for all eating and drinking places.

One reason may be that the chains have continued to resist any temptation to big price hikes. The 18 chains raised prices an average of 2.3% April to June. The increase for all eating and drinking places was a heftier 4.2%. Food stores held the line at 2.6%.

For further information on Restaurant Trends research, write or phone Carl De Biase, Restaurant Trends, 1000 Highway 35, Middletown, N.J. 07748. 201-671-4444.

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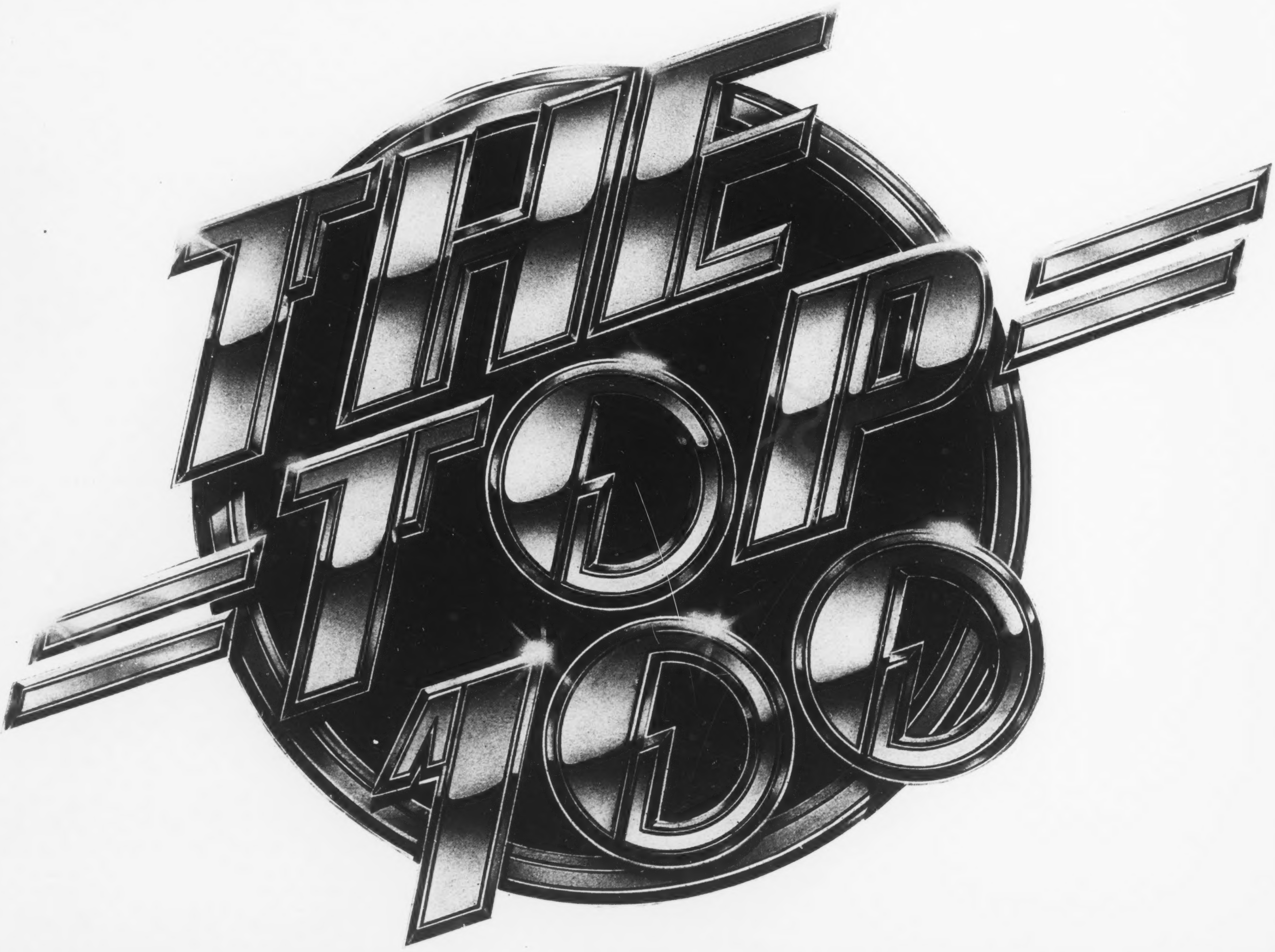
CHAIN ANALYSIS/PART 1



THE BIG GET BIGGER

NRN Special Report

NEW YORK — Large conglomerates with businesses unrelated to food service and a small number of big chains control a huge share of the food-service industry, according to *Nation's Restaurant News'* annual Chain Analysis report.

Two charts—one ranking The Top 100 Companies by food-service revenue and the other ranking The Top 100 Chains by systemwide sales—show a large chunk of the industry's action controlled by relatively few companies and chains. (The charts are on pages 78-81.)

The Top 100 Companies have projected 1984 food-service revenue of $42 billion, up 14.4% from 1983. That total represents 26.2% of the industry's projected 1984 total sales of $160 billion.

The Top 100 Chains have projected 1984 systemwide sales of $62.1 billion, up 12.2% from 1983. That total represents 38.8% of the industry's projected total sales for 1984.

Nearly half of The Top 100 Companies ranked by food-service revenue are primarily involved in businesses such as tobacco, chemicals, agriculture, grocery products, convenience stores, airlines, real estate and department stores.

There are 44 such companies on The Top 100 list. This year they will ring up $24.7 billion in food-service revenue, or about 59% of The Top 100 Companies' total.

Only three of the top 10 companies—No. 1 McDonald's, No. 8 Denny's and No. 9 Saga—are strictly food-service companies. The others in the top 10 own food-service companies but get most of their revenues from other businesses. They include Pillsbury (grocery products), PepsiCo (soft drinks) and R. J. Reynolds (tobacco, oil, grocery products). Their ranking is based on food-service revenue only.

The top 10 companies control 43% of the Top 100 market; the top 13 companies control 50%, and the top 50 companies, 85.3%.

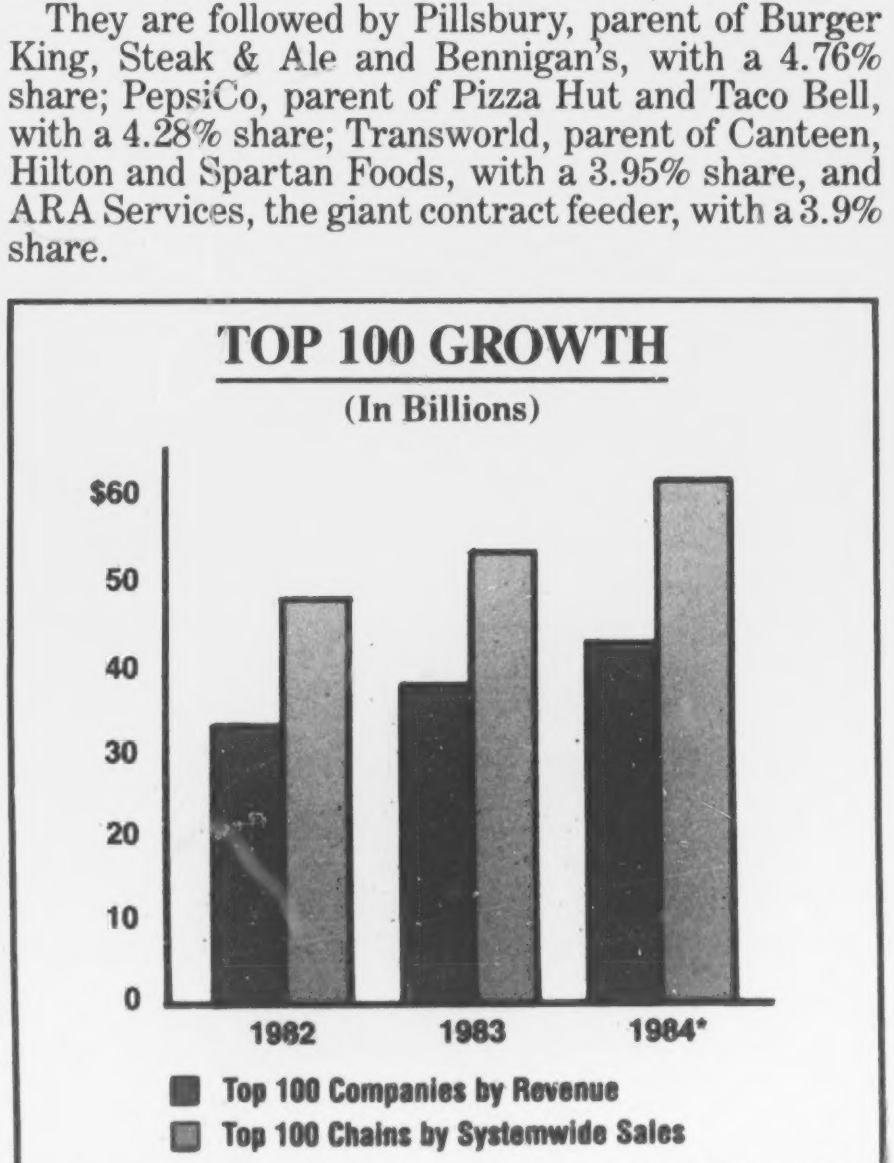
The 14.4% rise in Top 100 Companies' food-service revenue to $42 billion follows a 14.3% rise reported in 1983 over the previous year's figures.

Among individual companies, McDonald's controls 7.85% of The Top 100 Companies' total. No. 2, Marriott Corp., which gets about 70% of its total revenue from food service, controls 5.83% of The Top 100 market with total food-service revenue of $2.45 billion.

They are followed by Pillsbury, parent of Burger King, Steak & Ale and Bennigan's, with a 4.76% share; PepsiCo, parent of Pizza Hut and Taco Bell, with a 4.28% share; Transworld, parent of Canteen, Hilton and Spartan Foods, with a 3.95% share, and ARA Services, the giant contract feeder, with a 3.9% share.

TOP 100 GROWTH

(In Billions)



Source: NRN Research

*Projected

rise 12.2% this year over 1983 figures. Last year, sales rose 13.9% over 1982. The Top 100 chains are opening 6,545 new units this year for a total of 96,178, a 7% rise over 1983.

The Top 100 Chains control 38.8% of the total industry, with the top 10 chains showing a lock on about 18% of the total industry and 46% of The Top 100. Seven of the top 10 chains are fast feeders, one (ARA Services) is a contract feeder, one (Denny's) is a family restaurant and one (7-Eleven) is a convenience store.

McDonald's accounts for nearly 6% of total food-service industry sales and more than 15% of the Top 100 sales. Its share of the total industry and the Top 100 is more than twice as large as No. 2 Burger King's.

Kentucky Fried Chicken controls 1.75% of the total industry and 4.5% of the Top 100; Wendy's, 1.5% and 4%; Hardee's, 1.9% and 3%; Pizza Hut, 1.1% and 3%; ARA Services, 1% and 2.6%; 7-Eleven, 0.9% and 2.4%; Dairy Queen, 0.89% and 2.3%, and Denny's, 0.83% and 2.1%.

Thirteen chains have systemwide sales in excess of $1 billion and four have sales in excess of $2.4 billion.

With sales of $1.3 billion, Denny's was the only newcomer to the top 10 chains, moving into the No. 10 spot from No. 11 last year. Hardee's moved up one place to No.5, Pizza Hut dropped one to No. 6 and 7-Eleven jumped two spots to No. 8.

Many of the dramatic moves involved fast-food pizza and Mexican chains: Taco Bell moved from No. 19 last year to 14 this year; Domino's Pizza jumped to No. 27 from 39; Chi-Chi's moved to No. 30 from 43, and Godfather's Pizza moved to No. 37 from 40.

On the Top 100 Companies' list, there was very little movement within the top 20 companies and no newcomers to the top 20. PepsiCo moved up a notch to the No. 4 position and Transworld, parent of Canteen, Hilton and Spartan Foods, moved to No. 5 from No. 6.

FOCUS NRN

CHAIN ANALYSIS/PART 1: THE TOP 100

A brief look at some chains covered in this section

FAST-FOOD BURGERS

McDonald's lock on the fast-food breakfast market is in jeopardy as other chains roll out breakfast menus. Total sales approach the $10 billion-a-year mark. Page 84.

Burger King is rolling out breakfast; stepping up its development of institutional markets and searching for another chain to develop. Page 84.

Where's the beef, salads, baked potatoes, chicken sandwiches, hot apple dumplings, chewy cookies, tuna salad, breakfast and reduced calorie entrees? At **Wendy's.** Page 87.

Hardee's launches a national advertising campaign and rolls out several new menu items. Page 87.

Arby's has a host of new products to spark a comeback. Page 88.

Roy Rogers finally decides on a breakfast menu and looks to in-store feeding, toll-road development and small express units for a greater share of market. Page 88.

Jack-in-the-Box is moving away from traditional fast food with a wide variety of new menu items including boxed dinners and a more sophisticated decor. Page 91.

White Castle's burgers still sell for only 28¢ but average unit sales are near $1.3 million. Page 93.

With a diversified new menu in place, **Rax** is now stepping up unit expansion. Page 93.

FAST-FOOD CHICKEN

Who says the chicken segment is saturated? Not **Kentucky Fried Chicken,** which is opening a new unit every 21 hours. Page 94.

Church's is building mini-stores and looks to them as the key to a turnaround. Page 99.

Popeyes is testing a new "upscale" unit with an expanded menu that includes salads, baked potatoes and desserts. Page 99.

Bojangles finds that challenging Popeyes for the No. 3 spot is easier said than done. Page 94.

FAST-FOOD PIZZA

Pizza Hut is testing a barbecued beef pizza and home delivery, Page 100.

With a rollout of pan pizza just about complete, **Godfathers** is getting ready to test home delivery. Page 100.

Unit expansion is on **Pizza Inn's** agenda with an emphasis on international markets. Page 100.

FAST-FOOD FISH

Long John Silver's says goodbye to discounting and couponing, says hello to new products. Page 102.

Breakfast flops at **Captain D's** and other menu expansion yields mixed results. Page 102.

FAMILY RESTAURANTS

Denny's may slow expansion as management tries to pay off a large debt incurred in proposed $800 million leveraged buyout. Page 104.

Marriott's Bob's Big Boy chain is picking up the pieces after the defection of a 392-unit franchisee. Page 104.

Howard Johnson's lackluster 800-unit coffee shop chain still has orange roofs for the most part, and therein lies part of the problem. Page 116.

Perkins is ready for modest unit expansion after years of retrenching, but a selloff by parent Holiday Inns is still possible. Page 116.

Village Inn Pancake Houses suddenly emerge as a segment powerhouse through acquisitions. Page 118.

Friendly is upgrading units and testing a new mini-store concept. Page 118.

International House of Pancakes revamps its menu in a turnaround attempt. Page 120.

DINNERHOUSES

T.G.I. Friday's is still chasing upwardly mobile young adults but has altered its marketing philosophy. Page 123.

Houlihan's jumps on the reduced calorie bandwagon with several new "light" entrees. Page 123.

Some cracks appear in **Chi-Chi's** seemingly invincible armor, but the Mexican dinnerhouse chain is still riding high. New menu items are spicier. Page 124.

New menu items at **El Torito** are designed to boost average checks. The Mexican chain also plans massive expansion. Page 124.

Red Lobster is adding new menu items, mesquite grills and lower-priced entrees in an effort to boost traffic. Page 124.

FAMILY STEAKHOUSES

What a difference salads and seafood make: A repositioned **Sizzler** posts gains in customer traffic. Page 126.

Bonanza's nonbeef menu items are boosting sales and attracting more "white-collar" customers and women. Page 126.

Ponderosa is trying to find out whether consumers will eat breakfast in a family steakhouse. Page 129.

Golden Corral's meat-and-potatoes menu mix is evolving to include chicken and fish. Page 129.

HOTELS

Hilton's hotel restaurants are reporting high sales from salads, chicken and seafood and it's pioneering reduced-calorie menu offerings. Page 133.

Hyatt Hotels may have only one all-purpose restaurant in the future. Page 133.

Howard Johnson sees its new full-service Plaza Hotel concept as a way of getting back on track. Page 133.

CAFETERIAS

Morrison will add about a dozen new cafeterias and is stepping up development of Ruby Tuesday's and L&N Fish Markets. Page 136.

Luby's sets its expansion sights on the West and market leader Furr's. Page 140.

Picadilly raises prices for the first time in a while, bringing check averages closer to its competitors' Page 140.

Mike Kelly resigns from Kelly-Johnston, parent of the troubled **Duff's** chain. Page 140.

CONTRACT FEEDERS

In the midest of an attempted takeover battle, **ARA Services** is looking at public restaurants in office buildings, specialty food boutiques on college campuses and take-home foods for workers. Page 143.

Saga Corp. is diversifying its restaurant holdings but counts on its massive contract feeding operations to produce cash flow and train managers for its restaurants. Page 143.

IN-STORE FEEDERS

K mart is upgrading food service by converting some cafeterias into sandwich shops with burgers, salads and soups. Page 144.

Woolworth is experimenting with new concepts and opening franchised Burger Kings in its stores. Page 144.

CONVENIENCE STORES

7-Eleven is putting even greater competitive pressure on fast feeders with new takeout products Page 146.

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Behind the Top 100 charts: Two for the price of one

Two large charts listing The Top 100 Chains by total systemwide sales and The Top 100 Companies by total food-service revenue anchor this special section. The charts are on pages 78-79 and 80-81.

This is the first time *Nation's Restaurant News* has presented separate sales and revenue charts in its annual Chain Analysis issue.

The Top 100 Chains chart for the first time features two separate market share columns for each chain—one showing the per cent share of The Top 100 market and the other showing per cent share of the total $160 billion food-service industry.

In addition, chains are ranked by systemwide sales for 1983 and 1984. The Top 100 chains chart also lists systemwide sales for each chain for three years, total number of units at the start of the current fiscal year and projected number of net new units for the current year. Each chain is also identified by its segment.

The Top 100 Companies chart lists companies by food-service revenue—sales by company-oper-ated units only plus franchise fees. Key chains operated by each company are also identified as well as revenue figures for three years, projected per cent share of The Top 100 Companies' market, and a projected cumulative share of the Top 100.

CHAIN ANALYSIS/PART 1: THE TOP 100

Diversification: Some swear by it, but doubts linger

Diversification fever is sweeping food service as many major operating companies develop new concepts, acquire existing chains for expansion and enter joint ventures that point them in new directions.

Despite some harsh criticism about the viability of diversification strategies, the rush is on to segment the marketplace and position emerging chains for specific consumer groups and in segments or subsegments with limited appeal.

Among the food-service operators that view diversification as an integral part of their long-term strategic plans are Saga, Marriott, Diversifoods, Vicorp, Collins, the Riese Organization, Shoney's, Horn & Hardart and Morrison.

For some, most notably Saga and Marriott, diversification has been a longstanding policy. Others, such as Vicorp and Collins, are relative newcomers who are using new concepts to supplement strong core chains. But for several, diversification appears almost a last-ditch effort to salvage the remains of outdated concepts.

Victoria Station, which has lost an estimated $16 million in the last four years and has failed to revive its themed dinnerhouses, is the latest chain to jump on the blossoming "upscale" burger bandwagon.

It has developed a concept called Bonkers to compete with a growing number of similar chains in a fledgling segment that is marked by heated competition for sites, customers and employees.

From Marriott, who is, to Kentucky Fried Chicken, who won't, the question "to diversify or not to diversify" remains one of this industry's most dynamic and widespread topics.

Beefsteak Charlie's, whose problems (an outdated concept, older restaurants, lost price-value perception among consumers) are similar but much less severe, is testing at least three distinct new concepts, including Daly's Dandelion, which specializes in big burgers with fancy toppings.

Those taking part in diversification contend that having more than one concept offers them protection against problems in any one segment, a chance to respond quickly to changing consumer tastes, operational flexibility, better use of their sites and stronger returns on their investments.

They insist it is not enough for an operator to have all his eggs in one basket, no matter how strong that basket may be, and some even feel that a one-chain approach can be dangerous.

Critics of diversification, however, complain that this fairly recent obsession with market segmentation and niche marketing may be dangerous in itself. They say diversification can erode a company's foundation, confuse customers, dilute marketing, operating and financing efforts and turn a management team into a disinterested keeper of a diversified portfolio, blithely changing concepts as problems appear.

Those who are skeptical of diversification usually point to McDonald's and Kentucky Fried Chicken as prime examples of how a single-minded commitment to one concept, and a very narrowly focused product line, can serve a company well.

Despite all the arguments against diversification, even the most strident critics admit that some companies have succeeded very nicely with a multi-pronged approach.

Marriott, for example, has pursued a diversification strategy since the 1930's when it began selling boxed lunches from its coffee shops to travelers en route to a Washington airport.

Marriott today is a major inflight feeder, has numerous airport terminal operations, a substantial food-service management business and operates and franchises Roy Rogers fastfood, Casa Maria and Charley Brown's dinnerhouses, Big Boy family restaurants and major hotels.

Saga Corp., with projected 1984 revenues of $1.25 billion, is a major contract feeder that is active in restaurants as well—with Stuart Anderson's Black Angus and Velvet Turtle dinnerhouses, Grandy's fast-food chicken and Spoons big burgers. Saga recently sold its Straw Hat Pizza chain to concentrate on expansion of Grandy's.

One of the most recent companies to pursue diversification in a big way is Vicorp, which for years was a solid if unspectacular operator-franchisor of Village Inn Pancake Houses. Vicorp went public a couple of years ago.

Prior to May 1983, Village Inn operated about 50 pancake houses and franchised perhaps twice that number. Since then, it has acquired 60 Poppin Fresh coffee shops from Pillsbury and changed the name to Bakers Square; bought 71 dinnerhouses from Ralston-Purina's Foodmaker, disclosed its intentions to buy a majority stock interest for cash in The Perfect Pan, operator of six Piret's Country French restaurant-gourmet delis, and signed a letter of intent to acquire 183 Sambo's-owned units.

When the Sambo's and Piret's deals are completed, Vicorp will be a radically changed company with about 80 company operated Village Inn Pancake Houses, 132 franchised Village Inns, 65 Bakers Square units, 80-plus dinnerhouses including 15 Carlos Murphy's, six Piret's and 183 Sambo's that will be converted to its own family restaurants.

Collins Foods, which has done very well over the years with its Sizzler family steakhouses and franchised Kentucky Fried Chicken units, began its diversification drive last year after selling about 29% of Sizzler, repositioning the 451-unit chain with a diversified menu and upgraded decor and overhauling its KFC units.

In rapid succession in recent months, Collins has purchased Gino's East, a high volume Chicago pizzeria it is developing with Richard Melman's Lettuce Entertain You, signed on as a 60% joint venture partner with Melman and Big 4 Restaurants of Phoenix to develop Ed Debevic's, a 1950's-style coffee shop featuring big burgers; bought the rights and trade secrets for Emma's Taco House, and acquired the 10-unit Josephina's Cafe and Pizzeria.

Collins' diversification was not pursued in earnest until the company repositioned its Sizzler chain, which has been resuscitated after a couple of flat years and is enjoying increases in sales and customer traffic. And while developing its new concepts, Collins is opening 36 Sizzlers and six new KFC units during the current fiscal year.

Other moves toward diversification on the part of strong operating companies have yet to yield substantial results. Wendy's is behind schedule with Sisters, its entry in the "upscale" fast-food chicken segment, and Denny's still has not made a significant expansion move with El Pollo Loco, the barbecued chicken chain it acquired last year.

Diversifoods, the giant firm that emerged from the merger of Chart House and Godfather's, is spread across several segments, including dinnerhouses (Chart House), fast-food (franchised Burger Kings), barbecue (Luther's), big burgers (Moxie's) and pizza (Godfather's).

Kelly-Johnston Enterprises recently put the brakes on its explosive growth as a major Chi-Chi's franchisee, perhaps coincidentally after it began developing a new concept, Joe Kelly's seafood, and following its acquisition of Duff's.

In part, diversification is designed to give operators the flexibility to change a concept if a downturn occurs, a strategy that has served the New York-based Riese Organization well over many decades.

Nagging doubts remain, however, about whether diversification is the best direction for so many companies to take.

DIVERSIFICATION BY SELECTED FOOD-SERVICE CHAIN OPERATORS

Company	Core Segment(s)	Other Concepts
Saga Corp.	Contract Feeder	Stuart Anderson's Black Angus (dinnerhouses); Velvet Turtle (dinnerhouses); Grandy's (fast-food chicken); Spoons (big burgers)
Marriott Corp.	Contract Feeding Fast Food Family Restaurants Hotels	Roy Rogers (fast food); Bob's Big Boy (family restaurant); Hot Shoppes; Casa Maria (Mexican dinnerhouses); Charley Brown's (dinnerhouses); Hotels
Diversifoods	Dinnerhouses Fast Food Pizza	Chart House (dinnerhouses); Burger King (fast-food burgers); Godfathers (fast-food pizza); Luther's (fast-food barbecue); Moxie's (big burgers)
Vicorp	Family Restaurants	Village Inn Pancake Houses (family restaurants); Bakers Square (family restaurants); Piret's (French cafes and delis); Carlos Murphy's (Mexican dinnerhouses); Dinnerhouses (seafood and beef)
Collins Foods	Family Steakhouses Fast Food Food-service Distribution	Sizzler (family steakhouses)[1]; Kentucky Fried Chicken (fast-food chicken)*; Emma's Taco House (Mexican dinnerhouses); Ed Debevic's (big burgers)[2]; Josephina's Cafe & Pizzeria (dinnerhouses); Gino's East (pizza)
Riese Organization	Fast Food	Roy Rogers (fast food)*; El Torito (Mexican dinnerhouse)*; Houlihan's (dinnerhouse)*; Godfathers (pizza)*; Häagen-Dazs (ice cream)*; Church's (fast-food chicken)*; Sizzler (family steakhouse)*; Salad Works (sandwiches and salads); Steak & Brew (dinnerhouses); Burger & Brew (dinnerhouses); Charlie O's (dinnerhouses); Chi-Chi's (Mexican dinnerhouses)*
Horn & Hardart	Fast Food	Bojangles (fast-food chicken); Burger King (fast-food burgers)*; Arby's (fast-food)*; Dinnerhouses
Shoney's	Family Restaurants	Shoney's (family restaurants); Town & Country (family restaurants); Fifth Quarter (dinnerhouses); Cap't. D's (fast-food fish)
Denny's	Family Restaurants	Denny's (family restaurants); Winchell's (doughnuts); El Pollo Loco (barbecued chicken)
Kelly-Johnston	Mexican Dinnerhouses	Chi-Chi's (Mexican dinnerhouses)*; Duff's (cafeterias); Joe Kelly's (seafood dinnerhouses)
Morrison	Cafeterias	Morrison (cafeterias); Ruby Tuesday's (dinnerhouses); L & N Fishmarket (seafood dinnerhouses); Food-service distribution; (missing copy)
Southern Hospitality	Fast Food	Wendy's (fast-food burgers)*; Mr. Gatti's (pizza); Ireland's (dinnerhouses); Tempo's (dinnerhouses); Southern Cooker (fast food)
Beefsteak Charlie's	Dinnerhouses	Beefsteak Charlie's (dinnerhouses); Daly's Dandelion (big burgers and pasta); Nathan Detroit's (barbecued ribs)
Sea Galley Stores	Fast Food	Sea Galley (fast-food fish); Flakey Jake's (big burgers)[3]
Wendy's	Fast Food	Wendy's (fast-food burgers); Sisters (fast-food chicken)
Victoria Station	Dinnerhouses	Victoria Station (dinnerhouses); Bonkers (big burgers)
Restaurant Associates	Dinnerhouses	(Numerous concepts); Acapulco y Los Arcos (Mexican dinnerhouses)[4]
Investors' Management	Family Steakhouse	Golden Corral (family steakhouses); Oh! Brian's (ribs); Sirloin Stockade (family steakhouses); Nicho's (Mexican fast food); Fred Gang's (dinnerhouses)

Source: *NRN* Research; company reports

* Franchised

[1] 71% owned

[2] Joint venture with Lettuce Entertain You and Big Four Restaurants

[3] 40% owned

[4] 43% owned

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CHAIN ANALYSIS/PART 1: THE TOP 100

Fast Food's No. 1 commodity remains convenience

By Charles Forman

For some the hot news of the day will always be the creative antics that somehow get labeled trends. This past spring it was upscale burgers; last year it was pizza and games. Not long ago it was prime rib in a railroad car.

These gyrations, however, mark little more than cheap firecrackers sounding off on a farflung periphery. What then's really happening in today's food-service market?

The numbers published in this section point like an accusing finger to an ineluctable consolidation of the market in the hands of those who sell convenience, the major fast feeders.

It's awesome, the $27 billion in total sales—17% of the whole food-service market—that the top 10 fast-food chains are expected to pile up this year. It represents 44% of the sales the top 100 chains of all types will garner.

The first six chains are all fast feeders. These alone will account for $22.7 billion in sales, 14% of all the dollars that will be spent on food away from home in 1984.

Of those who secured a rung on the top 100 chain ladder, 35 are fast feeders. Eight are family steakhouses and 11 family restaurants, both closely akin to fast-food restaurants in the public's mind.

But the eye keeps going back to the top of the list, to McDonald's, Burger King, KFC, Wendy's, Hardee's, Pizza Hut and, not far below, 7-Eleven, Dairy Queen, Taco Bell and Long John Silver's.

The inescapable and growing dominance of these fast-food concepts forces a series of conclusions about the nature of eating away from home today.

First, the primary driving force in the eating-out market today is convenience.

Fast-food restaurants provide nothing if not an easily accessible meal. Obviously, to continue to enlarge their markets the top chains have to make their offerings even more accessible.

Development of offspring concepts like Whopper Express by Burger King, McSnack by McDonald's, employment of multiple drive-thru windows by Arby's, Carl's Jr. and others, addition of seating in KFC units all signal recognition by these chains of the market's most important demand.

The second conclusion fast-food chains' top-dog position on the list leads to is that, stripped of dressy marketing strategies, the business of the top chains is a variant of commodities trading.

The price of key items on fast-food menus is obviously highly elastic: the burger price wars of this past spring proved that if nothing else

Menu expansion with items like Chicken McNuggets or Wendy's potato entrees are a form of hedging.

And long-term product and marketing strategies are as much geared to projections about the availability of key foodstuffs as they are to changing consumer demand.

It's been obvious for the last year and a half, too, that the top chains were following the lead of industry's major packaged goods companies who long ago turned to colorful wrappings and heavy advertising to establish a brand identification which would promote consumer allegiance to what, without the hype, could be seen as relatively dull, undifferentiated products.

Fast food's growing dominance points to several conclusions about its future—a future which must always include convenience.

As blind tastings have proven, it's easier to tell a Whopper, Big Mac or Wendy's Single apart in television commercials than when you're eating them.

Although the restaurant industry is much more than just a playground for the fast-food chains—it is an arena for entertainment, relaxation, romance and just plain good eating—demand seems to be continuing to promote stronger growth for the leaders than for others.

In terms of presence, the top 10 fast-food chains sport 41,296 locations out of the top 100's 89,633. This year these 10 chains will add just over 3,000 units. All the chains on the top 100 will add just 6,545.

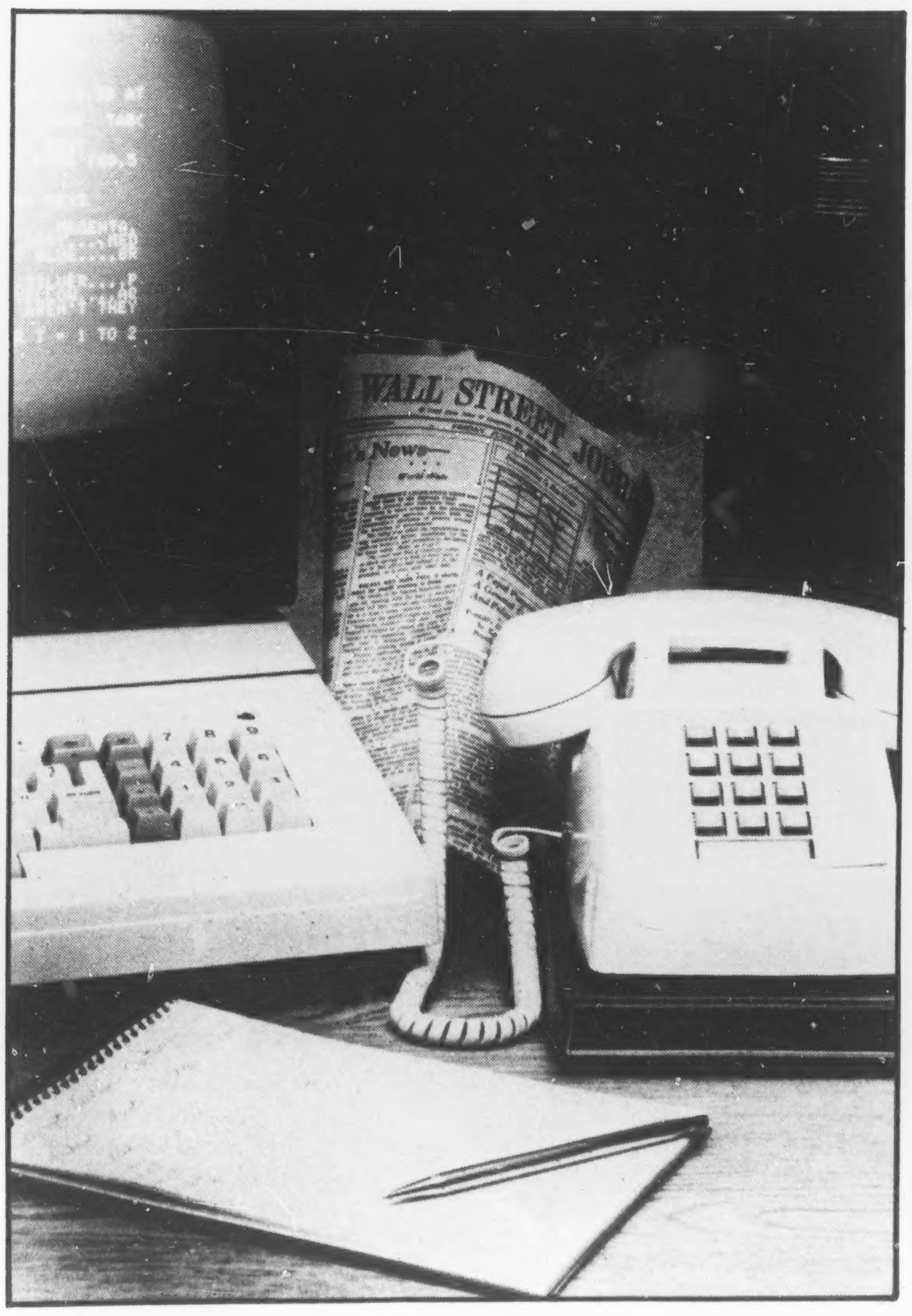
Independent figures show that for the first half of the year real sales (sales minus menu price hikes) for the top fast feeders have been growing appreciably faster than the growth the Commerce Department is reporting for all eating and drinking places.

Does all this mean that we're marching lockstep into a fast-food future?

Not really. It should, however, make restaurateurs of all stripes reflect—as they plot out the future of their businesses—on the really big social and economic forces that are driving the directions eating out is heading in.

Eating out is a fashion business. Competitors do have to show consumers how they are unique. People do want an experience and not just a meal. But the fast-food chains are showing everybody who'll look at the facts that it's really the demand for convenience, especially a convenience suited to contemporary lifestyles, that is shaping the landscape of the business.

Wall St.: The center of food-service feast or famine



By Rick Telberg

NEW YORK — Perhaps at no other time in the development of the nation's multiunit food-service industry has Wall Street loomed so large—both as an opportunity and as a threat.

Operators who are, or are part of, publicly held corporations account for about one-quarter of the $160 billion-a-year eating-out industry.

No food-service company has achieved national prominence without resorting to the capital markets at one time or another.

Never before have so many restaurant operators been public. And the number keeps growing year in and year out.

Wendy's has been buoyed by Wall Street's support. ARA Services, now trying to fend off a takeover blitz by William Siegel, may fall victim to Wall Street's twin vices of greed and fear.

But Wall Street, like any free market, has a way of renewing itself.

It may lose Denny's this year if the coffee shop chain goes private, but then capital will be liberated to seek higher returns. Walt Disney Productions may well be worth more broken up, but if the country's assets are allowed to stand idle then the entire economy suffers.

The planned deals for ARA, Denny's and Disney would all be financed through leveraged buyouts, which borrow money to finance the purchase pledging the company's assets and cash flow as security. Often the heavy debt-load can slow capital spending or spell the company's break-up to pay off the notes.

Wall Street—which is really simply a market for the free trade of capital and risk—offers tremendous benefits for both growing and established organizations.

It provides the upstarts with the seed money they so desperately need. It provides visibility for attracting and retaining talent.

And yet Wall Street also poses risks and costs. Bookkeeping expenses can run $250,000 to $500,000 a year in order to comply with full-disclosure rules and Government regulations. It reduces the entrepreneur's stake in his enterprise. And its judgment can be swift and brutal.

Wall Street extends, too, beyond the stock tables. It is a vast financial bazaar where people and organizations exchange debt. Even private companies are dependent on its judgment. The United States Government answers to Wall Street's judgment when Treasury bills are auctioned.

The cost of money for buying equipment in Duluth, Minn., is set by machinations in the southern tip of Manhattan.

Investors large and small have pumped almost $15 billion, measured by market capitalization, into the nation's chain-restaurant business.

The conglomeration of businesses—employed by Marriott, Pillsbury and Saga to name a few—is accomplished often with stock, trading a piece of the action while funds are pumped into enterprise.

The reverse—deconglomeration—happens when the market realizes that capital is being used improperly. For this reason, Transworld Corp. spun off its airline to concentrate on its food-service business.

Money, like water which seeks its level, flows to the highest return. Wall Street is the well.

'Money, like water which seeks its level, flows to the highest return. Wall Street is the well.'

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CHAIN ANALYSIS/PART 1

Top 100 Chains *(Ranked By Systemwide Sales)*

1984 Rank	1983 Rank	Chain Name	Concept	Parent Company	Systemwide Sales* Projected Fiscal Year	Systemwide Sales* Most Recent Fiscal Year	Systemwide Sales* Previous Fiscal Year	Number of Units Projected Net New Units	Number of Units Most Recent Fiscal Year	Projected Share % of Top 100	Projected Share % of Total Industry
1	1	**McDonald's**	Burgers	McDonald's	$ 9,500.0	$ 8,700.0	$ 7.800.0	500	7,778	15.27%	5.94%
2	2	**Burger King**	Burgers	Pillsbury	4,100.0	3,400.0	2,800.0	373	3,827	6.59	2.56
3	3	**Kentucky Fried Chicken**	Chicken	R. J. Reynolds	2,800.0	2,600.0	2,400.0	400	5,971	4.50	1.75
4	4	**Wendy's**	Burgers	Wendy's	2,496.0	1,920.0	1,630.0	275	2,673	4.01	1.56
5	6	**Hardee's**	Burgers	Imasco	1,900.0	1,600.0	1,400.0	215	2,083	3.05	1.19
6	5	**Pizza Hut**	Pizza	PepsiCo	1,870.0	1,600.0	1,300.0	150	4,300	3.01	1.17
7	7	**ARA Services**	Contract	ARA Services	1,640.0	1,560.0	1,490.0	748	2,994	2.64	1.03
8	10	**7-Eleven**	Con. Store	Southland Corp.	1,511.0	1,270.0	1,086.0	150	6,962	2.43	0.94
9	9	**Dairy Queen**	Ice Cr/Burg	International Dairy Queen	1,430.0	1,290.0	1,170.0	180	4,747	2.30	0.89
10	11	**Denny's**	Fam Rest	Denny's	1,335.0	1,190.0	1,025.0	90	1,260	2.15	0.83
11	12	**Marriott Contract Food Service**[1]	Contract	Marriott	1,170.0	1,100.0	820.0	24	356	1.88	0.73
12	8	**Big Boy**[2]	Fam Rest	Marriott	1,100.0	1,400.0	1,100.0	(325)	1,250	1.77	0.69
13	13	**Sheraton**	Hotel	ITT	1,009.0	1,004.0	900.0	40	1,320	1.62	0.63
14	19	**Taco Bell**	Tacos	PepsiCo	900.0	700.0	590.0	200	1,600	1.45	0.56
15	15	**Red Lobster**	Dinnerhouse	General Mills	890.0	780.0	715.0	3	367	1.43	0.56
16	14	**Holiday Inn**	Hotels	Holiday Inns	850.0	835.0	862.0	0	1,707	1.37	0.53
17	16	**Canteen**	Contract	Transworld Corp.	849.9	767.1	750.1	68	850	1.37	0.53
18	18	**Saga Contract Food Service**	Contract	Saga	755.0	706.0	660.8	21	866	1.21	0.47
19	17	**Hilton (U.S. only)**	Hotels	Hilton Hotels	750.0	717.0	662.0	20	246	1.21	0.47
20	20	**Long John Silver's**	Fish	Jerrico Inc.	733.6	677.5	555.4	60	1,355	1.18	0.46
21	21	**Arby's**	Roast Beef	Royal Crown Companies	730.0	657.0	575.0	146	1,254	1.17	0.46
22	23	**Church's Fried Chicken**	Chicken	Church's	660.0	548.0	504.0	120	1,200	1.06	0.41
23	24	**Jack-in-the-Box**	Burgers	Foodmaker	660.0	532.0	500.6	29	816	1.06	0.41
24	22	**Ponderosa**[3]	Fam Steak	Ponderosa Inc.	650.0	596.0	554.4	47	659	1.05	0.41
25	25	**Marriott Hotels**	Hotels	Marriott	532.4	501.6	414.6	9	131	0.86	0.33
26	26	**Western Sizzlin Steak Houses**	Fam Steak	Western Sizzlin Steak Houses	520.0	485.0	450.0	30	650	0.84	0.33
27	39	**Domino's**	Pizza	Domino's	520.0	355.0	256.0	570	1,180	0.84	0.33
28	27	**Dunkin' Donuts**	Doughnuts	Dunkin' Donuts of America	518.8	475.8	434.7	100	1,250	0.83	0.32
29	28	**Service Systems**	Contract	RJR	510.0	475.0	280.0	100	1,500	0.82	0.32
30	43	**Chi-Chi's**	Dinnerhouse	Chi-Chi's	496.0	310.0	183.0	54	136	0.80	0.31
31	29	**Baskin Robbins**	Ice Cream	Lyons PLC Ltd.	495.0	455.0	423.0	200	2,935	0.80	0.31
32	33	**Bennigan's**	Dinnerhouse	Pillsbury	490.0	388.0	251.0	40	149	0.79	0.31
33	32	**Roy Rogers**	Burgers	Marriott	483.3	428.0	372.3	33	504	0.78	0.30
34	30	**Quality Inns**	Hotels	Quality Inns Int'l Inc.	473.5	444.5	350.0	111	539	0.76	0.30
35	31	**Howard Johnsons Rest. and Lodge**	Hotels/FR	Imperial Group	465.0	434.6	421.9	4	52	0.75	0.29
36	34	**Sizzler**[4]	Fam Steak	Collins	443.0	387.0	353.7	74	451	0.71	0.28
37	40	**Godfather's**	Pizza	Diversifoods	440.0	350.0	313.0	138	887	0.71	0.28
38	35	**Shoney's**	Fam Rest	Shoney's	430.0	386.0	306.0	38	390	0.69	0.27
39	36	**Friendly Ice Cream Co.**	Fam Rest	Hershey Foods	415.0	383.5	335.8	35	667	0.67	0.26
40	37	**Interstate United**	Contract	Interstate United	400.0	372.0	361.0	0	1,400	0.64	0.25
41	41	**Westin Hotels**	Hotels	UAL Inc.	400.0	350.0	350.0	(1)	46	0.64	0.25
42	38	**Bonanza**	Fam Steak	USACafes	386.0	369.0	352.0	50	532	0.62	0.24
43	42	**Dobbs House**	Contract	Carson, PS	352.5	313.0	275.8	5	355	0.57	0.22
44	49	**Carls Jr.**	Burgers	Carl Karcher	350.0	289.8	231.0	50	379	0.56	0.22
45	47	**Sky Chefs**	Contract	American Airlines	325.0	294.4	262.0	2	46	0.52	0.20
46	57	**Ogden Food Service**	Contract	Ogden Food Service	325.0	250.0	220.0	10	690	0.52	0.20
47	50	**Stouffer's**	Hotel/Dinhs	Nestle	315.0	285.0	263.0	15	130	0.51	0.20
48	64	**Rax**	Roast Beef	Rax Restaurants	315.0	223.0	153.0	80	370	0.51	0.20
49	46	**Greyhound Food Management**	Contract	Greyhound	310.0	296.0	296.5	0	526	0.50	0.19
50	48	**Perkins Restaurants**	Fam Rest	Holiday Inns	310.0	290.0	270.0	6	309	0.50	0.19
51	60	**Popeyes**	Chicken	A. Copeland Enterprises	302.0	230.0	175.0	65	390	0.49	0.19
52	44	**K mart**	In store	K mart	300.0	300.0	300.0	0	1,257	0.48	0.19
53	58	**Macke**	Contract	Allegheny Beverage	300.0	237.6	214.0	0	2,000	0.48	0.19
54	51	**Steak & Ale**	Dinnerhouse	Pillsbury	299.0	272.0	236.0	0	175	0.48	0.19
55	45	**T.G.I. Friday's**	Dinnerhouse	Carlson Companies	297.0	299.0	188.0	24	78	0.48	0.19
56	53	**Morrison Cafeterias**	Cafeteria	Morrison Inc.	295.0	261.0	242.0	11	153	0.47	0.18
57	55	**Stuart Anderson's**	Dinnerhouse	Saga	295.0	255.0	217.3	8	109	0.47	0.18
58	56	**Ramada Inns**	Hotel	Ramada Inns	283.0	250.0	228.0	4	596	0.46	0.18
59	54	**Ground Round**	Dinnerhouse	Imperial Group	282.0	256.0	223.0	10	225	0.45	0.18
60	52	**Sonic Drive Ins**	Burgers	Sonic	277.0	262.0	274.0	0	975	0.45	0.17
61	59	**Pizza Inn**	Pizza	Pizza Inn	255.0	236.8	228.9	52	710	0.41	0.16
62	62	**Furr's Cafeterias**	Cafeteria	K mart	255.0	225.0	180.0	20	126	0.41	0.16
63	67	**El Torito**	Dinnerhouse	W. R. Grace	255.0	210.7	173.2	16	114	0.41	0.16
64	69	**White Castle**	Burgers	White Castle	238.0	210.0	193.0	20	176	0.38	0.15

***(In Millions)**

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CHAIN ANALYSIS/PART 1

Top 100 Chains (Ranked By Systemwide Sales)

					Systemwide Sales*			Number of Units		Projected Share	
1984 Rank	1983 Rank	Chain Name	Concept	Parent Company	Projected Fiscal Year	Most Recent Fiscal Year	Previous Fiscal Year	Projected Net New Units	Most Recent Fiscal Year	% of Top 100	% of Total Industry
65	65	**Krystal**	Burgers	Davenport Family	237.0	220.0	196.0	30	390	0.38	0.15
66	66	**International House of Pancakes**	Fam Rest	IHOP	230.0	214.3	208.3	7	458	0.37	0.14
67	70	**Captain D's**	Fish	Shoney's	225.0	205.0	190.0	28	426	0.36	0.14
68	81	**Little Caesar Pizza**	Pizza	Little Caesar	225.0	175.0	125.4	286	464	0.36	0.14
69	71	**Mister Donut**[5]	Doughnuts	International Multifoods	222.2	198.9	325.0	85	585	0.36	0.14
70	74	**Village Inn-Bakers Square**[6]	Fam Rest	Vicorp Restaurants	220.0	183.0	133.4	30	242	0.35	0.14
71	63	**Walt Disney Productions**	Theme Parks	Walt Disney Productions	211.1	224.5	165.8	0	180	0.34	0.13
72	79	**Whataburger**	Burger	Whataburger Inc.	205.0	175.0	155.0	35	330	0.33	0.13
73	84	**Golden Corral**	Fam Steak	Investor's Management	205.0	172.0	133.0	14	286	0.33	0.13
74	72	**Coco's/Jojo's**	Fam Rest	W. R. Grace	204.0	194.0	188.0	0	194	0.33	0.13
75	85	**Duff's**[7]	Cafeteria	Kelly-Johnston	202.0	168.0	149.0	29	144	0.32	0.13
76	99	**Bojangles**	Chicken	Horn & Hardart	202.0	126.0	76.0	150	214	0.32	0.13
77	61	**Pizza Time Theater**	Pizza	Pizza Time Theater	200.0	230.0	215.0	(75)	268	0.32	0.13
78	68	**Shakey's Pizza**	Pizza	Shakey's	200.0	210.0	200.0	(16)	453	0.32	0.13
79	100	**Grandy's**[8]	Chicken	Saga	200.0	100.0	48.0	80	96	0.32	0.13
80	76	**Seiler's**	Contract	Seiler's	196.0	180.0	180.0	46	414	0.32	0.12
81	73	**United Air Lines Food Service**	Contract	UAL Inc.	195.0	188.0	172.0	(1)	24	0.31	0.12
82	80	**Wyatt**	Cafeteria	Wyatt Cafeterias	195.0	175.0	150.0	2	117	0.31	0.12
83	77	**Delaware-North**	Contract	Delaware North Company	194.0	175.0	177.0	21	184	0.31	0.12
84	82	**Piccadilly Cafeterias Inc.**	Cafeteria	Piccadilly Cafeterias Inc.	194.0	174.0	153.0	9	93	0.31	0.12
85	78	**Winchell's**	Doughnuts	Denny's	188.0	175.0	130.0	0	865	0.30	0.12
86	75	**Hyatt Hotels**	Hotel	Hyatt Hotels Corp.	187.5	180.0	150.0	3	72	0.30	0.12
87	83	**United Air Lines**[9]	Contract	Custom Management	183.2	172.8	186.5	10	375	0.29	0.11
88	92	**Luby's Cafeterias**	Cafeteria	Luby's Cafeterias	183.0	153.0	139.0	7	70	0.29	0.11
89	87	**Round Table Pizza**	Pizza	Round Table Pizza	180.0	158.0	148.0	100	415	0.29	0.11
90	88	**Waffle Houses**	Fam Rest	Waffle Houses	180.0	157.0	143.0	10	480	0.29	0.11
91	86	**Szabo Food Service**	Contract	Oakbrook Consolidated	174.0	160.0	144.0	10	300	0.28	0.11
92	98	**Quincy's**	Fam Steak	Transworld Corp.	173.0	138.3	101.4	40	163	0.28	0.11
93	90	**Marie Callender's**	Fam Steak	Marie Callender's	170.0	155.0	145.0	4	101	0.27	0.11
94	91	**York Steakhouses**	Fam Steak	General Mills	170.0	155.0	168.0	0	129	0.27	0.11
95	94	**Specialty Restaurants**[10]	Dinnerhouse	Specialty Restaurants	170.0	147.8	120.0	8	62	0.27	0.11
96	96	**Western Steer Restaurants**	Fam Steak	Western Steer	170.0	145.0	128.0	20	177	0.27	0.11
97	93	**Houlihan's and others**	Dinnerhouse	W. R. Grace	167.0	150.0	135.0	8	63	0.27	0.10
98	95	**Show Biz Pizza**	Pizza	Brock Hotels	167.0	146.9	76.6	(2)	211	0.27	0.10
99	97	**Brown Derby**	Dinnerhouse	Brown Derby	166.0	145.0	127.0	0	60	0.27	0.10
100	89	**Carvel**	Ice Cream	Carvel Corp.	162.0	157.0	153.0	50	799	0.26	0.10
		Totals			$62,196.0	$55,429.4	$48,636.4	6,545	89,633	100.00%	38.8%
		+ % Change from Previous year			**12.2%**	**13.97%**		**7.3%**			

Source: *NRN* Research

***(In Millions)**

Explanation of Column Headings

Systemwide Sales: Total food-service sales from all company-operated and franchised units.

Projected Fiscal Year: Estimated sales for fiscal 1984 or fiscal 1985, depending on the chain. Most chains end their fiscal year Dec. 31.

Most Recent Fiscal Year: Actual total sales for the most recently completed fiscal year, which in most cases is 1983.

Previous Fiscal Year: Actual total sales for the fiscal year before the most recently completed fiscal year.

Number of Units: Total number of company-operated and franchised units. In most cases, the number of units is for only the chain name listed even if that chain has other concepts. For hotels, the number of units refers to the number of hotels, not the number of food-service units in those hotels. For contract feeders, the number in most cases refers to the number of contracts. The number of units for the most recent fiscal year refers to the total number of units at the end of the most recently competed fiscal year.

Projected Net New Units: The number of new units opening during fiscal 1984 or fiscal 1985, depending on the chain, minus units that will close or be sold.

Projected Per cent Share of Top 100: Share of the Top 100 chain market only.

Projected Per cent Share of Total Industry: Total estimated industry sales for 1984 ($160 billion) divided by sales for the projected fiscal year of each chain.

Footnotes:

1. Includes Marriott's flight kitchens and food-service management contracts.

2. Projected sales figures reflect the defection of 392 Shoney's from the Big Boy franchise network earlier this year.

3. Projected sales, for the current fiscal year include sales from 19 Casa Lupita Mexican dinnerhouses.

4. Sizzler is 71% owned by Collins Foods.

5. Sharp drop in systemwide sales reflects the sale of a 413-unit franchise in Japan.

6. Projected sales do not include 183 Sambo's-owned units which Village Inn's parent Vicorp is acquiring.

7. Duff's was acquired by Kelly-Johnston Enterprises in August 1983.

8. Saga acquired Grandy's in first quarter of fiscal 1984.

9. Custom Management also owns, operates and franchises 83 Isaly Deli's and 13 Sweet William family restaurants. Isaly and Sweet William sales are not included.

10. Host Specialty Restaurants include Casa Maria, Charley Brown's and Charley's Place dinnerhouses.

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CHAIN ANALYSIS/PART 1

Top 100 Companies (*Ranked By Food-Service Revenue*)

Projected Cumulative Share of Top 100	1984 Rank	1983 Rank	Company	Headquarters	Key Concepts	Revenue (In Millions)			Projected % Share of Top 100
						Projected Fiscal Year	Most Recent Fiscal Year	Previous Fiscal Year	
7.85%	**1**	1	**McDonald's**	Oak Brook, Ill.	McDonald's	$ 3,300.0	$ 3,000.0	$ 2,700.0	7.85%
13.68	**2**	2	**Marriott Corp.**[1]	Washington, D.C.	Roy Rogers, Big Boy, Hotels	2,450.0	2,100.0	1,800.0	5.83
18.43	**3**	3	**Pillsbury**	Minneapolis, Minn.	Burger King, Steak 'n' Ale, Bennigans	2,000.0	1,700.0	1,450.0	4.76
22.72	**4**	5	**PepsiCo**	Purchase, N.Y.	Pizza Hut, Taco Bell	1,800.0	1,520.0	1,260.0	4.28
26.66	**5**	6	**Transworld Corp.**	New York, N.Y.	Canteen, Hilton, Spartan Foods	1,660.0	1,460.0	1,300.0	3.95
30.56	**6**	4	**ARA Services**	Philadelphia, Pa.	Contract	1,640.0	1,560.0	1,490.0	3.90
33.89	**7**	8	**R. J. Reynolds**	Winston-Salem, N.C.	Kentucky Fried Chicken	1,400.0	1,200.0	950.0	3.33
37.13	**8**	7	**Denny's Inc.**	La Mirada, Calif.	Denny's, Winchell's	1,360.0	1,200.0	1,054.6	3.23
40.09	**9**	9	**Saga Corp.**	Menlo Park, Calif.	Contract, Grandy's, Velvet Turtle	1,245.0	1,120.0	1,006.2	2.96
43.04	**10**	10	**General Mills**	Minneapolis, Minn.	Red Lobster, York, Good Earth	1,240.0	1,075.0	985.0	2.95
45.73	**11**	11	**Southland Corp.**	Dallas, Tex.	7-Eleven	1,133.0	952.0	814.0	2.69
48.11	**12**	12	**Imasco Ltd.**	Montreal, Canada	Hardee's	1,000.0	915.0	806.8	2.38
50.24	**13**	13	**Wendy's International**	Dublin, Ohio	Wendy's, Sisters	894.0	720.0	607.0	2.13
52.13	**14**	14	**W. R. Grace & Co.**	New York, N.Y.	El Torito, Houlihan's	795.0	710.3	633.7	1.89
53.73	**15**	15	**City Investing**	New York, N.Y.	Servomation	675.0	573.0	533.0	1.61
55.24	**16**	18	**Ralston-Purina**[2]	St. Louis, Mo.	Jack-in-the-Box	635.0	529.0	500.0	1.51
56.66	**17**	17	**UAL Inc.**	Chicago, Ill.	Westin, Contract	595.0	538.0	522.0	1.42
58.07	**18**	16	**K mart**	Troy, Mich.	In-Store, Furrs, Bishops	592.0	562.0	517.0	1.41
59.44	**19**	20	**Diversifoods**	Itasca, Ill.	Godfather's, Chart House, Burger King	576.0	484.0	417.0	1.37
60.73	**20**	21	**Church's**	San Antonio, Tex.	Church's, G.W. Jr.'s	543.0	464.0	424.0	1.29
62.02	**21**	19	**Jerrico Inc.**	Lexington, Ky.	Long John Silver's, Jerry's	542.5	496.4	454.1	1.29
63.29	**22**	22	**Carlson Companies**	Minneapolis, Minn.	T.G.I. Friday's, Radisson Hotels	533.0	448.0	400.0	1.27
64.43	**23**	27	**Shoney's Inc.**	Nashville, Tenn.	Shoney's, Captain D's, Lee's	480.0	397.0	337.0	1.14
65.56	**24**	28	**Collins Foods Int'l**[3]	Los Angeles, Calif.	Sizzler, Kentucky Fried Chicken	475.0	395.7	325.5	1.13
66.68	**25**	23	**Carson Pirie Scott & Co.**[4]	Chicago, Ill.	Dobbs, Steak 'n' Egg, In-store	470.0	417.4	367.7	1.12
67.79	**26**	24	**Morrison Inc.**	Mobile, Ala.	Morrison, Ruby Tuesday	470.0	410.0	374.0	1.12
68.83	**27**	31	**Imperial Group**	North Quincy, Mass.	Ground Round, Howard Johnson	435.0	375.0	360.0	1.03
69.85	**28**	29	**Ponderosa Inc.**	Dayton, Ohio	Ponderosa, Casa Lupita	430.0	388.0	349.0	1.02
70.86	**29**	25	**Hilton Hotels**	Beverly Hills, Calif.	Hilton Hotels	425.0	407.0	377.0	1.01
71.87	**30**	26	**Holiday Inns**[5]	Memphis, Tenn.	Holiday Inns, Harrah's, Perkins	425.0	400.0	383.0	1.01
72.86	**31**	30	**Hershey Foods**	Hershey, Pa.	Friendly Ice Cream	415.0	383.5	335.8	0.99
73.81	**32**	32	**Hanson Trust**	London	Interstate United	400.0	372.0	361.0	0.95
74.64	**33**	35	**Davenport Family**	Chattanooga, Tenn.	Krystal, Po Folks, Wendy's	347.0	290.0	244.0	0.83
75.46	**34**	36	**Carl Karcher Enterprises**	Anaheim, Calif.	Carl's Jr.	345.0	289.8	231.0	0.82
76.27	**35**	33	**Greyhound Food Management**[6]	Phoenix, Ariz.	Contract	340.0	323.0	321.0	0.81
77.04	**36**	34	**American Airlines**	Arlington, Tex.	Sky Chefs	325.0	294.4	262.0	0.77
77.81	**37**	39	**Ogden Food Service**	Boston, Mass.	Contract	325.0	250.0	220.0	0.77
78.56	**38**	37	**Nestle**	Vevey, Switzerland	Stouffer, Cheese Cellar	315.0	285.0	263.0	0.75
79.28	**39**	38	**Investor's Management**	Raleigh, N.C.	Golden Corral	304.0	259.0	140.5	0.72
80.00	**40**	40	**Alleghany Beverage**	Baltimore, Md.	Macke	300.0	237.6	214.0	0.71
80.66	**41**	44	**Domino's**	Ann Arbor, Mich.	Domino's	280.0	191.0	128.0	0.67
81.28	**42**	53	**Chi-Chi's**	Louisville, Ky.	Chi-Chi's	259.0	162.0	98.0	0.62
81.87	**43**	77	**Vicorp Restaurants**[7]	Denver, Colo.	Village Inn-Bakers Square, Carlos Murphy	250.0	95.6	51.2	0.59
82.44	**44**	43	**White Castle**	Columbus, Ohio	White Castle	238.0	210.0	193.0	0.57
82.96	**45**	42	**Boddie-Noell Enterprises Inc.**	Rocky Mount, N.C.	Hardee's	220.0	210.0	184.2	0.52
83.47	**46**	41	**Walt Disney Productions**	Burbank, Calif.	Theme Parks	211.1	224.5	165.8	0.50
83.95	**47**	45	**Custom Management Corp.**	Kingston, Pa.	Contract	201.5	190.1	194.6	0.48
84.42	**48**	52	**Riese Organization**	New York, N.Y.	Brew Burger, Chock Full o'Nuts	200.0	170.0	150.0	0.48
84.90	**49**	58	**Pizza Inn**	Dallas, Tex.	Pizza Inn	200.0	149.0	140.0	0.48
85.36	**50**	47	**Seiler's**	Waltham, Mass.	Contract	196.0	180.0	180.0	0.47
85.83	**51**	49	**Wyatt Cafeterias**	Dallas, Tex.	Wyatt	195.0	175.0	150.0	0.46
86.29	**52**	48	**Delaware-North Companies**	Buffalo, N.Y.	Sportservice	194.0	175.0	177.0	0.46
86.75	**53**	50	**Piccadilly Cafeterias Inc.**	Baton Rouge, La.	Piccadilly	194.0	174.0	153.0	0.46
87.20	**54**	46	**Hyatt Hotels Corp.**	Rosemont, Ill.	Hyatt Hotels	187.5	180.0	150.0	0.45
87.63	**55**	56	**Western Steer**	Claremont, N.C.	Western Steer	182.0	155.0	137.0	0.43
88.05	**56**	61	**Luby's Cafeterias**	San Antonio, Tex.	Luby's	179.0	144.0	129.0	0.43
88.47	**57**	51	**Brock Hotels**[8]	Irvine, Tex.	Show Biz Pizza, Houlihan's	174.6	173.0	124.0	0.42
88.88	**58**	55	**Oak Brook Consolidated**	Oak Brook, Ill.	Szabo	174.0	160.0	144.0	0.41
89.29	**59**	59	**Specialty Restaurants Corp.**	Long Beach, Calif.	Theme Restaurants	170.0	147.8	120.0	0.40
89.69	**60**	62	**Shoney's South**	Memphis, Tenn.	Shoney's, Danvers	167.3	143.1	122.5	0.40
90.07	**61**	54	**F. W. Woolworth**	New York, N.Y.	In-Store, Burger King	160.0	160.0	160.0	0.38
90.44	**62**	65	**Whataburger Inc.**	Corpus Christi, Tex.	Whataburger	158.0	126.0	105.0	0.38
90.81	**63**	60	**Restaurant Assoc.**	New York, N.Y.	Acapulco y Los Arcos	155.0	145.0	134.0	0.37
91.18	**64**	63	**Chick-Fil-A**	Atlanta, Ga.	Chick-Fil-A	155.0	134.0	104.0	0.37

FOCUS NRN

CHAIN ANALYSIS/PART 1

Top 100 Companies (Ranked By Food-Service Revenue)

Projected Cumulative Share of Top 100	1984 Rank	1983 Rank	Company	Headquarters	Key Concepts	Revenue (In Millions)			Projected % Share of Top 100
						Projected Fiscal Year	Most Recent Fiscal Year	Previous Fiscal Year	
91.54	**65**	69	**Horn & Hardart Co.**	New York, N.Y.	Bojangles, Burger King and Arby's	153.0	117.7	94.1	0.36
91.90	**66**	67	**Carrols Corp.**	Syracuse, N.Y.	Burger King	151.0	123.0	85.2	0.36
92.24	**67**	68	**Bob Evans Farms**	Columbus, Ohio	Bob Evans Farms	142.9	120.1	103.5	0.34
92.56	**68**	66	**Harman Management Corp.**	Los Altos, Calif.	KFC, H. Salt Esq. Fish & Chips	135.0	123.0	116.0	0.32
92.88	**69**	78	**Kelly-Johnston**	Oklahoma City, Okla.	Duff's, Chi-Chi's Franchise, Joe Kelly's	135.0	95.0	41.0	0.32
93.19	**70**	70	**International Dairy Queen**	Minneapolis, Minn.	Dairy Queen, Golden Skillet	128.4	116.7	99.3	0.31
93.49	**71**	64	**Intercontinental Hotels Corp.**	New York, N.Y.	InterContinental Hotels	128.0	130.0	—	0.30
93.79	**72**	71	**Caesar's World Inc.**	Los Angeles, Calif.	Casinos, Hotels	125.0	110.0	89.2	0.30
94.08	**73**	72	**Brown Derby Restaurants**	Cleveland, Ohio	Brown Derby	123.0	108.0	94.5	0.29
94.37	**74**	81	**Winners Corp.**	Brentwood, Tenn.	Mrs. Winners, Wendy's	120.7	88.2	83.1	0.29
94.65	**75**	95	**Consul Corp.**	Minneapolis, Minn.	Chi-Chi's	119.0	65.0	32.0	0.28
94.93	**76**	73	**Frisch's**	Cincinnati, Ohio	Big Boy, Roy Rogers	115.2	104.7	99.8	0.27
95.20	**77**	75	**Royal Crown Companies**	Atlanta, Ga.	Arby's	115.0	100.6	83.8	0.27
95.46	**78**	80	**Associated Hosts**	Beverly Hills, Calif.	Smuggler's inn, Bombay Bicycle Clubs	110.0	88.3	78.6	0.26
95.71	**79**	57	**Pizza Time Theater**	Sunnyvale, Calif.	Pizza Time Theater	105.0	151.0	99.3	0.25
95.96	**80**	74	**Victoria Station**	Larkspur, Calif.	Victoria Station, Bonkers	105.0	101.5	112.3	0.25
96.21	**81**	82	**Naugles**	Fullerton, Calif.	Naugles	105.0	86.7	55.8	0.25
96.46	**82**	86	**Rax Restaurants**	Columbus, Ohio	Rax	105.0	81.0	63.0	0.25
96.71	**83**	79	**ITT**	Boston, Mass.	Sheraton Hotels	104.0	92.0	82.0	0.25
96.94	**84**	90	**Circle K**	Phoenix, Ariz.	Circle K, UtoteM	97.0	76.0	69.0	0.23
97.17	**85**	88	**Little Caesar Inc.**	Farmington Hills, Mich.	Little Caesar Pizza	96.1	77.8	62.1	0.23
97.39	**86**	83	**Sea Galley Stores**	Mountlake Terrace, Wash.	Sea Galley, Flakey Jake's	93.0	86.0	70.0	0.22
97.60	**87**	87	**International King's Table**	Eugene, Ore.	Int'l King's Table	90.5	79.5	50.0	0.22
97.82	**88**	76	**Beefsteak Charlie's**	New York, N.Y.	Beefsteak Charlie's	90.0	98.2	97.1	0.21
98.03	**89**	85	**Dunkin' Donuts of America**	Randolph, Mass.	Dunkin' Donuts	89.1	81.6	75.8	0.21
98.23	**90**	93	**Waffle Houses Inc.**	Norcross, Ga.	Waffle House	85.0	72.0	64.0	0.20
98.43	**91**	89	**Marie Callender's**	Long Beach, Calif.	Marie Callender's	83.5	76.0	68.0	0.20
98.63	**92**	92	**Elias Brothers Restaurants Inc.**	Warren, Mich.	Big Boy	83.0	74.0	67.0	0.20
98.82	**93**	84	**IHOP Corp.**	N. Hollywood, Calif.	International House of Pancakes	80.0	82.1	98.6	0.19
99.00	**94**	94	**Servico Inc.**	West Palm Beach, Fla.	Holiday Inn's	75.4	65.7	54.5	0.18
99.18	**95**	91	**IC Industries**	Chicago, Ill.	Stuckey's	75.0	75.0	75.0	0.18
99.35	**96**	97	**Hungry Tiger**	Van Nuys, Calif.	Hungry Tiger	73.0	63.8	55.9	0.17
99.52	**97**	99	**Consolidated Products**	Indianapolis, Ind.	Steak 'n' Shake	72.9	63.4	58.1	0.17
99.69	**98**	98	**Mr. Steak**	Denver, Colo.	Mr. Steak	70.0	63.8	59.8	0.17
99.85	**99**	96	**Marcus Corp.**	Milwaukee, Wis.	Big Boy, Roy Rogers	65.6	64.5	63.2	0.16
100.00%	**100**	NR	**J.B.'s Big Boy**	Salt Lake City, Utah	Big Boy	65.0	53.4	45.2	0.15
Top 100 Share of Total Food-Service Industry: 26.28%			**Top 100 Totals**			**$42,044.8**	**$36,730.5**	**$32,130.0**	**100.00%**
			% Change from previous year:			**+14.4%**	**+14.3%**		

Source: *NRN* Research

Explanation of Column Headings

Key Concepts: The main chain concepts or type of food service owned, operated and/or franchised by the company.

Revenue: Food-service sales by company-operated units plus franchise fees.

Projected Fiscal Year: Estimated food-service revenue for fiscal 1984 or fiscal 1985, depending on the company. Most companies end their fiscal year on Dec. 31.

Most Recent Fiscal Year: Actual total food-service revenue for the most recently completed fiscal year, which in most cases is 1983.

Previous Fiscal Year: Actual total food-service revenue for the fiscal year before the most recently completed fiscal year.

Projected Per Cent Share of Top 100: Share of the Top 100 Company market only.

Projected Cumulative Share of the Top 100: A running share of market for the companies listed up to each line.

Footnotes:

1. Figures take into account Marriott's disposal of two theme parks.

2. Ralston-Purina Foodmaker's revenue figures do not include results from Continental Restaurant Systems, a 71-unit dinnerhouse group sold to Vicorp in February 1984.

3. Collins Foods International owns 71% of Sizzler.

4. Figures include revenue from Ridgewells Caterer Inc., which Carson Pirie Scott acquired in April 1984, and revenue from Carson International Hotels.

5. Holiday Inns' revenue includes food and beverage sales at company-operated hotels, Harrah's casinos and Perkins.

6. Greyhound Food Management franchises 29 Burger King units and operates 29 lunch counters at Faber's drug stores, 99 Post House restaurants, six truckstops, 24 food-service management sites in Alaska and Saudi Arabia, 39 food-service units at Glacier National Park, and 69 units in the Belgium-based Restaura division.

7. Vicorp's projected revenue includes annualized sales from 71 company-operated dinnerhouses acquired from Ralston-Purina's Foodmaker in February 1984, but does not include 183-Sambo's-owned units Vicorp is in the process of acquiring.

8. Brock's revenue figures are sales from company-operated ShowBiz Pizza Place and Plaza Suite Hotels and Brock's franchised Holiday Inns.

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAST-FOOD BURGERS

Buoyed by real sales gains, fast-food burger chains rush new products into their restaurants in an attempt to widen their customer bases, build new dayparts and capitalize on shifting consumer tastes. Competition at breakfast is heated and an ad war is just around the corner.

Stately advances masking new period of excitement

McDONALD'S

By Joe Edwards

OAK BROOK, Ill. — McDonald's cruises along the fast-food boulevards of the world with such apparent ease that its successes are often taken for granted and its steadiness mistaken for lack of excitement.

But there is excitement at McDonald's. Customer traffic is rising steadily and inflation-adjusted sales growth is about 7% so far this year. Systemwide sales are approaching the $10 billion mark, and the chain's share of the fast-food burger market is increasing.

Most exciting of all for the world's largest restaurant chain is the shape of its international markets, which McDonald's has been cultivating for about 15 years. The chain's investment is finally paying off.

Five of McDonald's international markets (Japan, Australia, Canada, West Germany and Britain) are large enough (more than 1,400 units) and mature enough to offer economies of scale in purchasing and advertising and finally make significant contributions to the bottom line.

By year's end, sales at the 1,740 McDonald's restaurants outside the United States will be about $2 billion, or nearly 20% of total systemwide sales. Operating margins at units outside the United States and Canada are rising and will be about 18% for the year, compared to 26% at domestic units.

Fred Turner

While overall physical expansion worldwide has slowed to about 6% a year, more than 40% of the 500-or-so new restaurants McDonald's is building this year are outside the United States. In 1985, new units will be nearly evenly split between the United States and foreign countries.

Not all the news is good: *Nation's Restaurant News* estimates that average unit sales will rise about 6% to $1.23 million this year, but after adjustments for menu price increases real sales growth will be only 1% to 2%, far below the pace being set by Burger King and Wendy's.

But even if traffic remains soft, McDonald's will continue to dominate the market due to its sheer size; by year's end, there will be about 8,200 units worldwide, more than twice the number of Burger Kings and about three times the Wendy's.

Some facts, culled from company and U.S. Department of Commerce reports, are staggering: More than 13 million Americans, or 6% of the population, eat a meal at McDonald's every day; four million persons outside the United States pass through the Golden Arches daily; in 1983, McDonald's controlled 7% of total domestic restaurant business; 17% of domestic fast-food sales; 34% of franchised fast-food burger sales, 18% of franchised restaurant sales, and close to 50% of

(Continued on page 87)

McDONALD'S

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Billions)	$7.8	$8.7	$9.5
Revenue (In Billions)	$2.7	$3.0	$3.3
Net Profit (In Millions)	$300.0	$343.0	$390.0
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$1.11	$1.16	$1.23
Average Per-Person Check*	$2.80	$3.00	$3.15
Number of Units	7,259	7,778	8,278
% Menu-Price Increase	3.0%	4.0%	4.0%

Source: *NRN* Research

**NRN* Estimate

Market share-hungry No. 2 explores new avenues for growth

BURGER KING

MIAMI — Hungry for additional market share increases this year, Burger King is finally rolling out breakfast and accelerating its development of international and institutional markets.

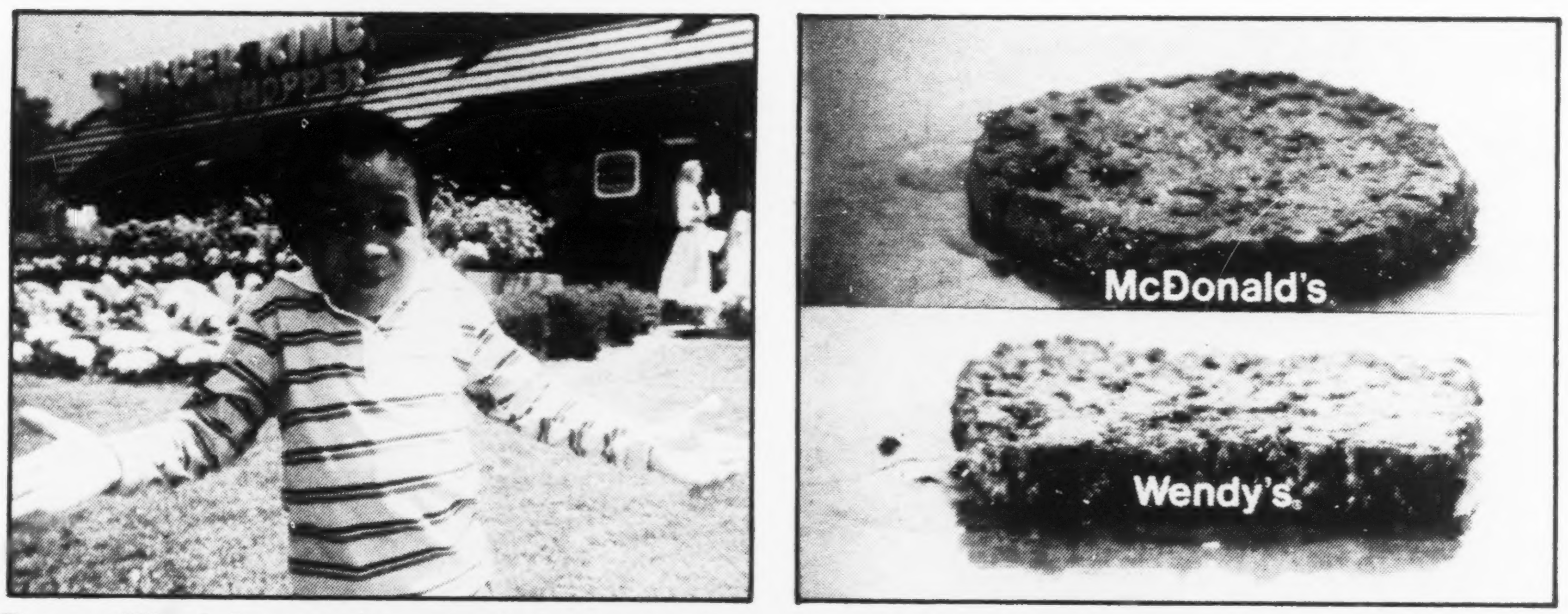
The No. 2 fast-food burger chain also has its eye on diversification, and intends to acquire or develop another "convenience restaurant chain," probably one specializing in pizza, probably within the next few months.

Burger King boosted its share of the Big Three fast-food burger market to 24.3% in 1983 from 22.9% the previous year, according to *Nation's Restaurant News'* estimates. That gain apparently came at the expense of McDonald's, whose own share dropped to 62% from 63.8% in 1982. Wendy's share rose to 13.7% from 13.3% the previous year.

McDonald's, Wendy's and Burger King control about 70% of the total fast-food burger market based on sales of major national and regional chains.

Burger King's impressive gains in market share, systemwide sales (up 21%) and average same store sales (up 11%) were a direct result of its "Battle of the Burgers" marketing effort launched on network TV on Sept. 27, 1982, and an improving economy.

Flush with double-digit, inflation-adjusted real sales growth in each of the last two years, the chain appears ready to go head-to-head with McDonald's in the critical breakfast arena. McDonald's, which has served breakfast since the mid-1970's, controls more than half the fast-food burger chain breakfast market.



Burger King's impressive gains in systemwide and individual store sales can be directly linked to its multipronged 'Battle of the Burgers' ad campaign launched in 1982.

Don't be surprised if Burger King uses the same tactics to chip away at McDonald's breakfast share as it used to build overall sales. A "Battle of the Breakfasts" ad campaign may be launched in the next few months to support the rollout of croissant breakfast sandwiches.

Several Burger King breakfast ads attacking McDonald's are already in the can and have been aired on local TV in Hartford, Conn., and a few other markets. By year's end, croissant breakfast sandwiches will be in 2,400 units, and J. Walter Thompson ad agency may be asked to produce other spots for network TV.

Chain officials have not disclosed a timetable for the first breakfast ad "attack" but admit it will probably occur once they have ironed out the remaining kinks in the long-delayed breakfast program and have one breakfast menu in enough restaurants to make network advertising cost-effective.

The basis of such an ad campaign may be a taste test conducted several months ago which showed, according to Burger King and J. Walter Thompson officials, that consumers prefer the taste of Burger King's croissant breakfast sandwiches to McDonald's Egg McMuffins by a 4-to-1 margin.

Croissant breakfast sandwiches are still considered a test item, but franchisee demand for them has been so strong, according to marketing chief Don Dempsey, that they will be in about two-thirds of Burger King's restaurants by December.

Burger King is also testing a breakfast toppings bar where customers can help themselves to syrups, jams, jellies, fresh fruit, salsa, cheese and other fixings for eggs and pancakes. Toppings bars are in place in a small number of units in Hartford, Conn.; Savannah, Ga., and West Palm Beach, Fla.

Hundreds of other Burger King units will offer egg and pancake platters and a breakfast sandwich of egg, ham and cheese on a bun.

On the international front, the chain is pouring millions into European expansion, and expects to have nearly 400 restaurants on the continent by 1987, compared to only 69 at the beginning of this year.

As with breakfast, Burger King is playing catch-up ball with McDonald's in Europe, where McDonald's had 348 units at the start of this year. Burger King's international division moved into new offices in London late last year. William Prather is senior vice president-general manager for Europe.

Burger King's growing interest in institutional markets got a big boost in May when the chain signed a franchise agreement with the Army and Air Force Exchange Services (AAFES), a branch of the Defense Department, to open as many as 185 units on Army and Air Force bases worldwide in the next five years.

The first AAFES-operated unit opens this fall on an American military base in Ansbach, Germany. Burger King also operates a unit on a Coast Guard base in New York and at Navy bases in Pearl Harbor; Norfolk, Va., and New London, Conn.

It is also developing other nontraditional sites through franchise deals: Howard Johnson will have about a half-dozen Burger Kings on toll roads by the end of the year and plans about 40 to 45 others; Woolworth has opened the first of 70 units in or adjacent to retail stores; Truckstops of America has five units at truckstops in the Middle West, and there are about two dozen units at transportation centers.

Burger King posted inflation-adjusted real sales gains of 17% in January, 16% in February and 12% in March.

Average same-store sales at company-operated units, which make up about 15% of the system, reached $1.04 million in fiscal 1984 ended May 31.

BURGER KING

(Fiscal Year Ended May 31)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Billions)	$2.8	$3.4	$4.1
Revenue (In Millions)	$439.0	$598.0	$745.0
Average Same-Store Sales (Units open 12 mos. or more)**	$851,000	$944,000	$1,040,000
Average Per-Person Check*	$3.00	$3.00	
Number of Units	3,255	3,827	4,200
% Menu-Price Increase	0.0%	0.0%	4.0%

Source: *NRN* Research

**NRN* Estimate

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAST-FOOD BURGERS

Building of units and menus follow ad momentum

WENDY'S

By Rick Telberg

DUBLIN, Ohio — Wendy's is accelerating construction and remodeling expenditures, as well as adding new products and dayparts, in an effort to ride the momentum sparked by "Where's the Beef?" and baked potatoes.

Officials say the third act of octogenarian Clara Peller's saga in search of the perfect pattie will debut this fall in the most expensive single advertising campaign Wendy's has ever staged. It will cost more, they say, than "Where's the Beef?" I and II combined.

Meanwhile, Wendy's is running TV spots pitching its "Garden Spot" salad bar to diet-conscious women. Wendy's ad campaigns are considered the best the chain has aired since "Hot 'n Juicy" began a three-year run in 1977.

With sales and profits running 20% ahead of year-ago levels due to "Where's the Beef?" and baked potatoes, Wendy's officials are openly asking themselves, "Can lightning strike twice?"

If Burger King's success with "Broiling vs. Frying" is an example, it can. But anything less than a 20% gain in fiscal 1984 could be deemed a disappointment among shareholders and franchisees.

With Wendy's own success looming as its own undoing, executives are attempting to capitalize by pouring new millions into the chain.

Capital spending will rise a hefty 60% this year to $130 million as the company builds 100 stores. With another 175 franchised outlets expected, Wendy's plans a total of 275 new restaurants this year compared to 243 last year.

Yet new-store growth remains a relatively modest 10% per year nevertheless, sidestepping Wendy's most difficult problem: Customers cannot find the stores.

With heightened interest in the chain, executives have discovered what they long suspected: Few of their stores are in the best locations. As a result, Wendy's has vowed to move toward penetrating major markets. Nevertheless most development this year will be in existing markets.

To get the most out of what they've got, Wendy's plans to remodel 200 company stores this year, adding solariums to expand living rooms.

Breakfast should be rolled into half the system's 3,000 stores this year, up from roughly 400 now. The ad pitch centers on omelets, waffles and sandwiches that are made-to-order.

Hot apple dumplings and big, chewy cookies, now in about half the system, could be completely rolled out this year.

New salad entrees, using tuna, cottage cheese and wheat buns, are being tested in 100 stores under the "Lite Side" banner. The ad angle touts "less than 300 calories." A do-or-die decision isn't due until the end of the year, but Wendy's is committed to some version of local marketing.

Between the summertime salads and the autumn's new Clara Peller campaigns, Wendy's could air nationwide ads that snipe at the "processed" chicken used by McDonald's and Burger King in their chicken sandwiches. Wendy's, the ads assert, uses "real" boneless breast of chicken.

WENDY'S

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$1,630.0	$1,920.0	$2,496.0
Revenue (In Millions)	$607.0	$720.4	$893.5
Net Profit (In Millions)	$44.1	$55.2	$66.2
Average Same-Store Sales (Units open 12 mos. or more)	$703,000	$759,000	$911,000
Average Per-Person Check*	$2.15	$2.35	$2.50
Number of Units	2,430	2,673	2,948
% Menu-Price Increase	3.0%	3.0%	4.0%

Source: *NRN* Research

**NRN* Estimate

Specialty rollouts, 'Super Salads' lead market push

HARDEE'S

By Dave Zuckerman

ROCKY MOUNT, N.C. — Emphasizing menu variety and product quality, Hardee's—the No. 4 contender in the fast-food burger segment—will be seeking to broaden its market share with a vastly increased advertising budget and innovative new product rollouts.

While burgers continue to account for about 50% of sales, the 2,083-unit chain has built its marketing strategy around specialty sandwiches and biscuit breakfasts in a continuing effort to distance itself from intense burger-segment competition.

A new turkey club sandwich, introduced chainwide earlier this year, has been targeted at growing numbers of health-conscious consumers who are steering clear of high-cholesterol beef items. Hardee's menu also includes a breast of chicken and a fish fillet sandwich in the nonbeef category. Two sizes of roast beef and a hot ham and cheese sandwich round out the chain's specialty sandwich lineup.

Next on the chain's agenda of new products will be salads, an area where Hardee's has lagged behind the competition. But while the majority of fast feeders have embraced the salad bar concept, Hardee's has been busy developing individually packaged "Super Salads" which are currently being tested in two broad market areas.

Viewing salad bars as too labor intensive, difficult to control and essentially unprofitable; Hardee's hopes to capture a wider share of the nutrition-conscious salad market with its more manageable, entree-sized "Super Salads." In addition to avoiding operational pitfalls, the "Super Salads" offer one other major advantage: They can be easily passed through drive-thru windows, where as much as 40% of Hardee's sales occur.

Currently available in three varieties (a chef's salad, chicken fiesta and shrimp and pasta), "Super Salads" should be ready for chainwide rollout by next spring.

Latest Venture

At the hub of Hardee's marketing effort is the chain's most expansive advertising thrust to date, combining regional coverage with its first-ever network television airtime into a thematically integrated campaign—"It's All Here at Hardee's."

With some 570 of the 700 Burger Chef units acquired from General Foods two years ago now converted, Hardee's has increased its market penetration to 39 states. The bulk of the units, however, continue to be heavily concentrated in the Southeast and upper Midwest with no presence in the Northeast or on the West Coast.

While the move to network television advertising signals the beginnings of a national rather than regional image, Hardee's insists it will stick to its basic regional expansion philosophy and gradually spread out through contiguous market development at the rate of about 12% per year.

"We are No. 1 or No. 2 in most of the markets we're in right now," said parent Imasco USA chairman and ceo Jack Laughery. "We don't need to be in 50 states. There's a lot of room for expansion in our key markets, especially in large metropolitan areas."

"We don't need to be in 50 states," says chairman and ceo Jack Laughery [above]. "There's a lot of room for expansion."

HARDEE'S

(Fiscal Year Ended March 30)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Billions)	$1.4	$1.6	$1.9
Revenue (In Millions)	$806.8	$915.0	$1,000.0
Operating Profit (In Millions)	$60.3	$75.2	$94.0
Average Same-Store Sales (Units open 12 mos. or more)	$723,000	$771,000	$820,000
Average Per-Person Check*	$2.10	$2.15	$2.20
Number of Units	1,901	2,083	2,298
% Menu-Price Increase	1.0%	1.0%	1.0%

Source: *NRN* Research

**NRN* Estimate

Fast Food's heavyweight champ stays on top

(Continued from page 84)

the total fast-food burger market.

Some observers believe the reason McDonald's is paying so much attention to international expansion is because the domestic market is saturated, but the chain is making moves that may put to rest all the talk about domestic market saturation.

Though executives play down the importance of developing nonconventional sites in the United States, McDonald's is growing more active in these areas. Look for the chain to plow millions into institutional markets in the United States and Canada in the near future.

McDonald's already operates restaurants at Camp Pendleton Marine base in Oceanside, Calif.; Montreal's Central Rail Station; a Canadian Forces base outside Toronto; Miami Airport; the Toronto Zoo; Philadelphia Children's Hospital; Ohio University, and two high schools in Massachusetts and Florida. In addition, it has toll road units in several states.

McDonald's is also tapping the shopping mall food court market with a test of smaller units called McSnack, which sell items like Chicken McNuggets, ice cream sundaes and french fries, but no burgers. The first McSnack in Minnesota is 400 sq. ft.; newer prototypes are larger and may sell burgers. The first McSnack had sales of $500,000 in its first year; but original investment costs were much lower than an average-sized McDonald's and profit margins much stronger than the 16.1% reported by all company-operated units in the first quarter.

To McDonald's pleasant surprise, new restaurants in small towns and cities are proving to be a bigger hit than expected. McDonald's strategy over the last two or three years has been to build scaled-down units in small towns, but volumes have been up to systemwide averages and most of the smaller units are being expanded.

Experiments with a new drive-thru system have been successful, and the new system is being added throughout the country. The double-drive-thru windows (one for orders, one for pickups) have speeded service and increased drive-thru sales by as much as 50%, according to one estimate. Drive-thru windows generate 35% to 40% of unit sales.

With reports circulating about McDonald's enviable excess cash flow "problem" (about $100 million this year, $200 million by 1986 and $1 billion by 2000), there is growing speculation about a McDonald's acquisition. But a company official scoffed at reports a couple of months ago that McDonald's was interested in acquiring Walt Disney Productions or merging with Holiday Inns.

McDonald's major challenges for the rest of this year will be to develop and begin testing new menu items (from which it will build real sales) and to fight stepped-up competition.

Scratch-made breakfast biscuits are now available in about 2,000 restaurants, and another 3,500 or so units have two new Sausage McMuffin sandwiches. A bacon-and-egg platter is in test in Canada.

McDonald's averages about $221,000 a unit in breakfast sales, and dominates the fast-food breakfast market, but Burger King and Wendy's have innovative breakfast programs that will be in a substantial number of new units by year's end, threatening McDonald's market dominance.

New products are few and far between at McDonald's, but when the chain scores, it scores big. Chicken McNuggets, rolled out last year, account for about 10% of unit sales, with only 4% or so cannibalization of sales of other products. McDon-

(Continued on page 88)

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAST-FOOD BURGERS

'Slow Down' theme belies fast-paced marketing plan

ROY ROGERS

By Dave Zuckerman

BETHESDA, Md. — Behind a new advertising theme which urges consumers to "Slow Down," the 525-unit Roy Rogers fast-food chain is stepping up its pace in the breakfast arena and scouting a host of innovative market possibilities including in-store feeding, toll-road development and inner-city express units.

For the Marriott-owned chain, which has emerged as the sixth largest in total sales among the fast-food burger giants, a new two-pronged breakfast program should finally fill the vacancy in the lucrative morning meal period.

After juggling five breakfast alternatives for more than a year, the 75% company-owned chain appears to have settled on a weekend breakfast buffet teamed with a crescent roll break-sandwich program for weekdays.

A six-month test at 175 stores in the Baltimore-Washington area has proven the program more than viable. According to Roy Rogers vice president Steven Reinemund, breakfast has been generating 15% of all sales in participating units, with about one-half coming on weekends when the chain offers its all-you-can-eat breakfast buffet.

Steven Reinemund
vp, general manager

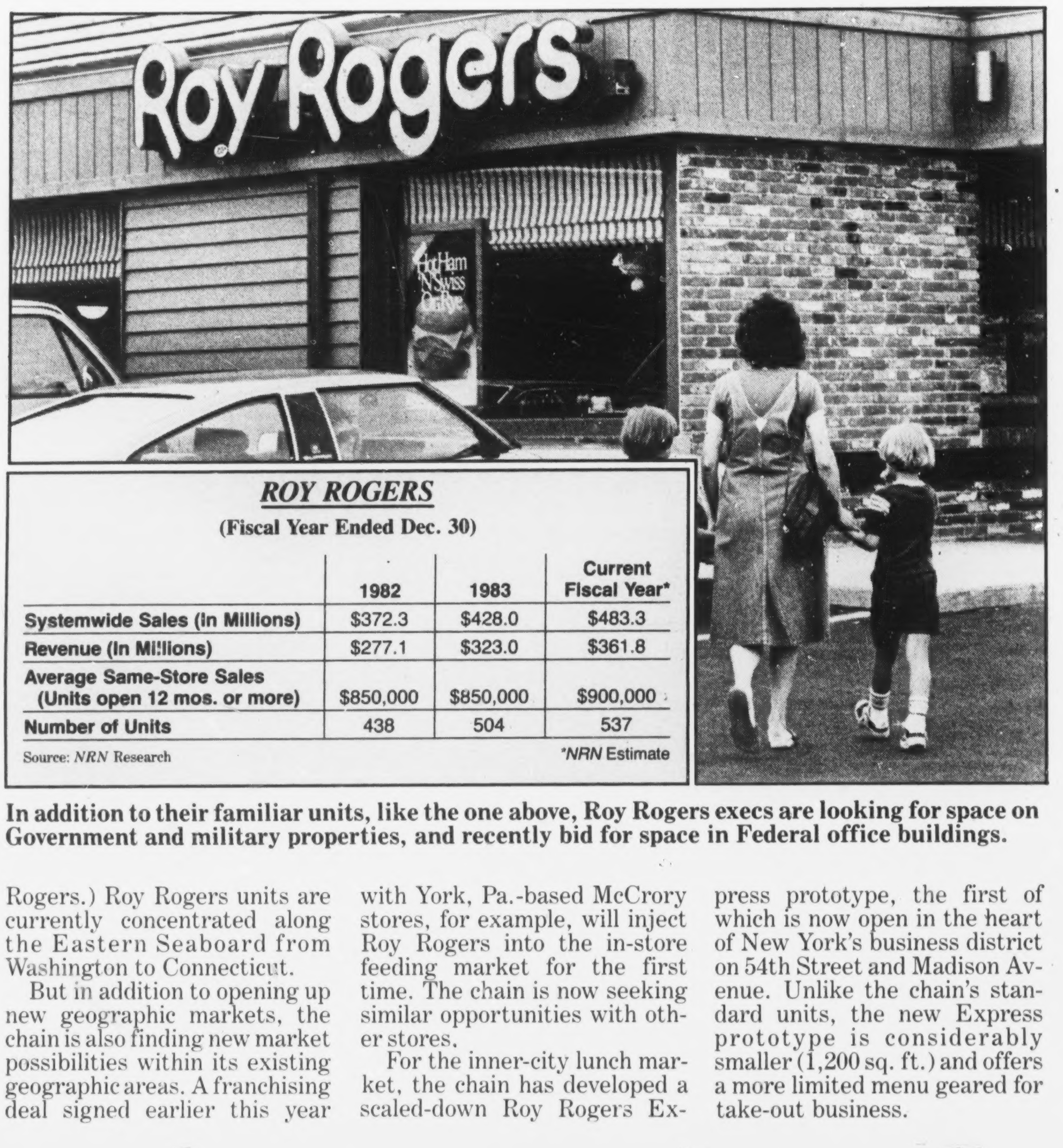
Now available in the Philadelphia market, the breakfast program is slowly being rolled out chainwide with New York stores targeted for installation in the near future. When rollout is completed, Reinemund said, breakfast could add as much as $115,000 to annual per-store volumes (currently running at about $850,000).

Another new product development on the horizon for Roy Rogers is an upgraded salad bar featuring a much wider variety of fresh items such as green peas, shredded cheeses, sunflower seeds and broccoli. The chain also plans to improve its salad dressings.

In the area of new unit development, Roy Rogers will set up shop in "five or six new geographic areas" over the next two years, according to Reinemund, either through new store development or the purchase of existing chains. (The company acquired Gino's in 1982 and converted some 170 units to Roy Rogers.) Roy Rogers units are currently concentrated along the Eastern Seaboard from Washington to Connecticut.

But in addition to opening up new geographic markets, the chain is also finding new market possibilities within its existing geographic areas. A franchising deal signed earlier this year with York, Pa.-based McCrory stores, for example, will inject Roy Rogers into the in-store feeding market for the first time. The chain is now seeking similar opportunities with other stores.

For the inner-city lunch market, the chain has developed a scaled-down Roy Rogers Express prototype, the first of which is now open in the heart of New York's business district on 54th Street and Madison Avenue. Unlike the chain's standard units, the new Express prototype is considerably smaller (1,200 sq. ft.) and offers a more limited menu geared for take-out business.



ROY ROGERS

(Fiscal Year Ended Dec. 30)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$372.3	$428.0	$483.3
Revenue (In Millions)	$277.1	$323.0	$361.8
Average Same-Store Sales (Units open 12 mos. or more)	$850,000	$850,000	$900,000
Number of Units	438	504	537

Source: *NRN* Research

**NRN* Estimate

In addition to their familiar units, like the one above, Roy Rogers execs are looking for space on Government and military properties, and recently bid for space in Federal office buildings.

New market niche the goal as new menu items roll

ARBY'S

ATLANTA — Emphasizing menu diversity which has sparked impressive sales gains over the past year, Arby's will go chainwide with a new baked potato this year and vastly expand testing of a ⅓-lb. charbroiled hamburger currently available in two markets.

Battling to break the bonds of its roast beef-oriented image, the chain has worked to redefine its market niche with one of the most ambitious product development programs in the fast-food sphere.

Croissant breakfasts, salad bars, barbecue platters, and a host of new sandwich offerings have been rolled out in an effort to expand the chain's customer base and upgrade its overall image.

"The roast beef sandwich is a change-of-pace item for most customers and that has always presented a big problem for Arby's," said senior marketing vice president Lawrence Krueger. "Now we're marketing ourselves toward a more general dining experience that can satisfy a wider variety of tastes."

In keeping with its new direction, Arby's is developing a more upscale building design which is currently on the drawing board. The first prototype should appear by January 1985. Remodeling of older units is also a possibility, Krueger said, although no plan has yet been developed.

While Arby's average unit volumes continue to lag far behind its major competitors in the fast-food hamburger segment, the chain is gradually closing the gap as its new marketing stance begins to take hold among consumers. The figure may well surpass the $600,000 mark by the close of fiscal 1984.

A major problem, however, will be in maintaining the momentum that Arby's has gained over the past year.

"We've got so many new products," Krueger said, "that we must be careful not to confuse the consumer. When we relied on a single product [roast beef] marketing was much simpler. Now we have to juggle chicken, roast beef, salad, breakfast, baked potatoes and a host of other items into a single unified message."

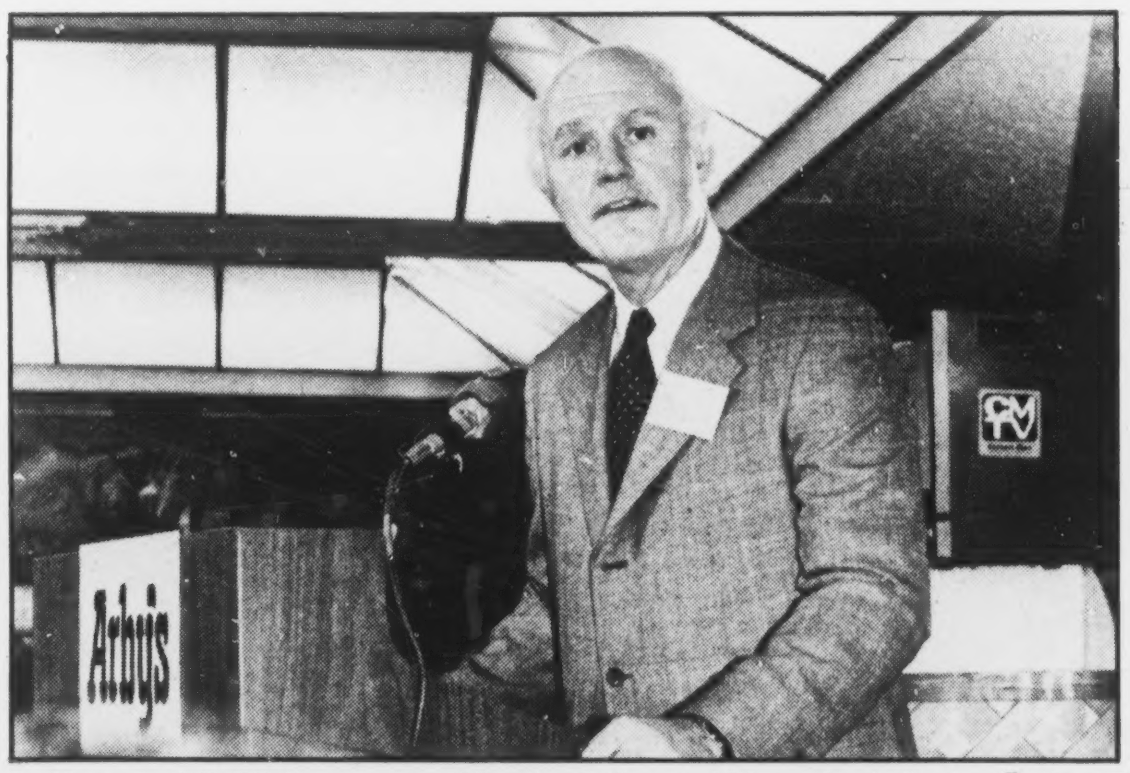
ARBY'S

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$575.0	$657.0	$730.0
Revenue (In Millions)	$83.8	$100.6	$115.0
Operating Profit (In Millions)	$7.3	$10.6	$14.0
Average Same-Store Sales (Units open 12 mos. or more)	$475,700	$550,000	$600,000
Average Per-Person Check*	$2.16	$2.19	$2.25
Number of Units	1,204	1,254	1,400
% Menu-Price Increase	2.5%	1.5%	2.5%

Source: *NRN* Research

**NRN* Estimate



Jefferson McMahon, president of the 1,400-unit Arby's chain.

McD still undisputed king of fast-food hill

(Continued from page 87)

ald's is second only to Kentucky Fried Chicken in chicken sales and sells *twice* as much chicken as Church's.

McDonald's is also testing Maple McKrisp, a french toast-like product, at 14 Florida units; soups and salads at 15 Chicago units; preportioned salads at about 70 units in southern California, and a jazzed-up version of the Quarter Pounder (with lettuce, tomato and mayonnaise) at a handful of Florida units.

The installation of multipurpose convection ovens at the 2,000 restaurants selling scratch biscuits tantalizes with new product possibilities.

McDonald's is renegotiating older franchise agreements as original contracts expire. Renegotiated contracts call for franchisees to pay 11.5% of sales in rents and royalties, vs. 8% to 10% under old contracts. The company also owns 58% of the land on which its restaurants are situated.

In the international division, McDonald's is moving to re-establish itself in Paris, where a court suit resulted in the revocation of a franchisee's license. McDonald's is also starting a franchising program in Britain, where earlier this year it bought out its joint venture partner. The chain's first unit in Taiwan is reportedly a big hit—$5 million annual sales.

McDonald's founder and senior chairman Ray Kroc died Jan. 14 at age 81. Other milestones this year: McDonald's served its 50-billionth hamburger and opened its 8,000th restaurant.

Fred Turner is chairman-chief executive and Michael Quinlan is president-chief operating officer of McDonald's.

In the first quarter ended March 30, net profit rose nearly 14% to $75 million on a 14% revenue increase to $758 million compared to year-earlier results. Systemwide sales were up 18% to $2.2 billion without any menu price increase (but including results of new units).

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAST-FOOD BURGERS

Texas moves signal start of national expansion

CARL'S JR.

ANAHEIM, Calif. — The rapidly growing Carl's Jr. system has moved into Texas and begun franchising—on its way toward a five-year goal of full competition in the national fast-food arena.

Meanwhile, the 390-unit chain run by 43-year-old Carl Karcher Enterprises has expanded its pattern of menu-item upgrades and meal service on real plates with metal flatware, recently augmenting its line of charbroiled burgers and specialty sandwiches.

Breakfasts and dinners served by waiters and waitresses, with a new array of family restaurant-style amenities, are helping position the Carl's Jr. concept in a more appealing niche with a broader potential customer base, officials believe.

And recent introduction of the ⅓-lb. Western Bacon Cheeseburger as the purported "biggest burger in fast-food history" has further distinguished the Carl's Jr. image, Karcher marketing specialists say.

On its way toward founder, chairman and chief executive Carl Karcher's goal of 1,000 units from coast to coast and $1 billion in sales by 1990, CKE has left the spacious bounds of California, Nevada and Arizona, gradually adding the Lone Star state to its universe.

Sales of the six restaurants to Karcher and Wiles helped boost net profit for the first quarter of 1985 ended May 18 to $4.5 million, compared with $3.3 million a year ago. Excluding the initial franchise deals, year-to-year net profit was up 9% to $3.6 million. Revenue in the quarter rose 20% to $98.1 million.

Last year CKE's net profit was $11.5 million on sales of $289.8 million.

Expansion

The first of a dozen or more units to open in Texas by fiscal year end opened in July. The company intends to open some 27 Carl's Jr. outlets within the next two years in the Dallas-Fort Worth area, on the way toward a maximum of 55 stores there (CKE's stated goal is a 50% penetration level in any market it enters within 24 months of entry, in order to gain the "critical mass" necessary for cost effective TV media exposure).

Franchises run by those chosen from some 300 applicants will join the initial company units in Texas next year. For now, franchising is being analyzed in California, where former CKE senior vice presidents Bernard Karcher and Gary Wiles took over a total of six units in May. A third franchisee began operating another seven former company units in the San Francisco area in July.

CARL'S JR.

(Fiscal Year Ended Jan. 27)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$231.0	$289.8	$350.0
Revenue (In Millions)	$231.0	$289.8	$345.0
Net Profit (In Millions)	$9.8	$11.5	$14.0
Average Same-Store Sales (Units open 12 mos. or more)	$685,700	$767,300	$795,000
Average Per-Person Check*	$3.12	$3.42	$3.75
Number of Units	342	379	400
% Menu-Price Increase	5.1%	4.6%	4.0%

Source: *NRN* Research

**NRN* Estimate

According to company projections, 30% to 40% of the 1,000 units expected by next decade would be franchised.

Beyond such Texas cities as Amarillo, Lubbock, Wichita Falls, Tyler and Waco, CKE has its sights set in the short term on initial forays in tandem with franchisees into Colorado, southern Oregon, New Mexico, Oklahoma, Louisiana and Florida, as well as a greater penetration into northern California.

While expanding physically, CKE is also expanding its menu horizons. Four charbroiled dinner platters (steak, chicken, trout and ground beef) were rolled out last year at a $2 million start-up cost, and, at about $4 each, now produce approximately 6% of all sales. Marketing to achieve greater customer awareness of dinners will increase the dinner sales percentage, the company says.

Customers will be offered hot cakes, scrambled eggs, and a new selection of four upgraded breakfast combo platters.

Coffee mugs will replace styrofoam cups as an added breakfast amenity, just as premium table condiments and iced tea refills were added when the dinner items were unveiled.

CKE has long been considered a fast-food bellwether by some industry analysts, who point to such Carl's Jr. breakthroughs as the first fast-food salad bars and the first carpeted dining areas.

Staying ahead of the game continues to be a company preoccupation. And the apparent immediate maturity of new Carl's Jr. units (opened with the dinner program built in from the start) bodes well for future menu refinements and chain expansion.

On an annualized basis, recently opened units should average about $1.2 million in annual sales, compared to a new unit average of $958,000 last year, and $792,000 in 1982.

Comparatively, same-store unit averages are projected at just under $800,000 this year (for units in which the plate-service concept was retrofitted).

No clowning around in aiming for new clientele

JACK-IN-THE-BOX

By Richard Martin

SAN DIEGO — Continued new-product sophistication and specialization strategically aimed at a "nonMcDonald's" young adult clientele is paying off in big ways for Jack-in-the-Box.

And with the solid backing of a transformed parent company, Ralston Purina, the 800-plus unit fast feeder should flourish—and perhaps grow dramatically—in 1985.

Testing of a barbecue dinner-in-the-box item, a barbecue sandwich, and a line of deli-style croissant sandwiches foreshadows an extension of the successful string of new menu-item introductions in recent years which has helped boost average unit sales some 30%—to about $800,000—since 1982.

Analysts believe Ralston Purina, internally strengthened over the last two years by streamlining divestitures and the repurchase of 25 million shares of its own stock (worth about $750 million at current market value) may be ready to bolster its Foodmaker subsidiary with the acquisition of a major quick-serve chain or concept—or both—to replace the 71-unit dinnerhouse division sold last February.

In fiscal 1983, a 25%-plus operating profit surge and growth in estimated return on assets to at least 20% helped earn Jack-in-the-Box the single largest block of capital improvement funds allocated by Ralston Purina among its various holdings for fiscal 1984 ending next month.

Foodmaker president Jack Goodall has spent the $69 million on about 25 new company-operated units and on continued chainwide upgrades to completely submerge the "plastic clown" look of old.

Bentwood chairs, brass rails, butcherblock-look tables, stained-glass-style lamps and ficus trees now make adult fast-food sophisticates feel more at home in Jack-in-the-Box outlets into which they've been enticed by droll, hip TV advertising and upgraded food offerings.

Efficiency and speed of service were also purchased, in the form of $15 million worth of "smart" cash register/order-entry systems, installed throughout the chain over the last two years.

But perhaps more than from any other element, Jack-in-the Box has prospered form its refined menu mix with a specialized appeal in each meal period—highlighted on one of fast food's best designed menu boards.

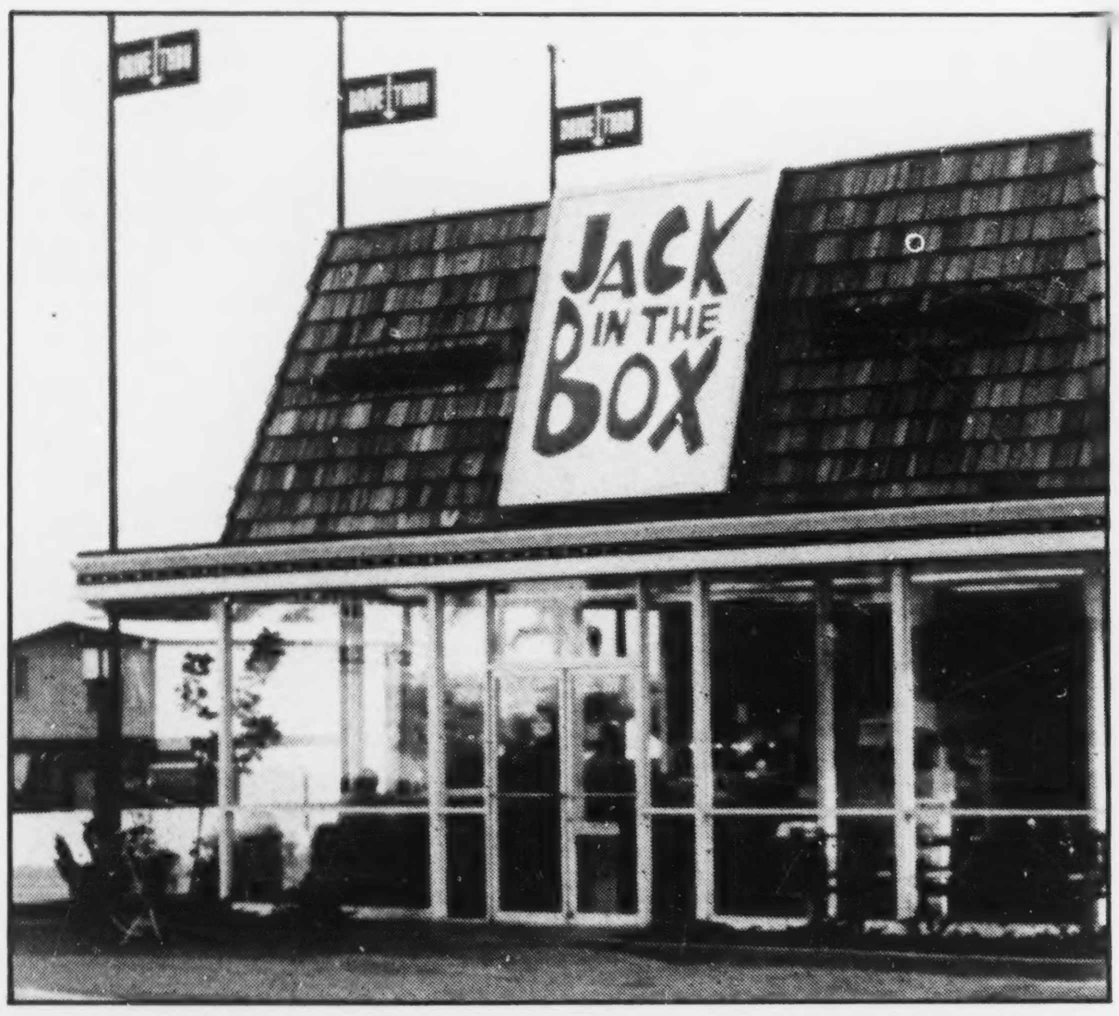
JACK-IN-THE-BOX

(Fiscal Year Ended Sept. 30)

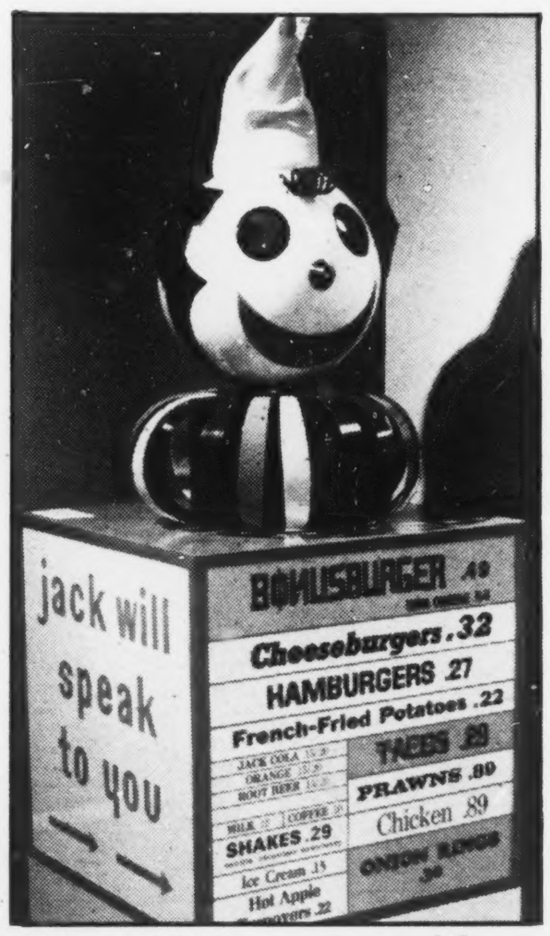
	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$500.0	$532.0	$660.0
Operating Profit (In Millions)	$39.5	$50.5	$56.3
Average Same-Store Sales (Units open 12 mos. or more)	$613,000	$700,000	$800,000
Number of Units	784	816	855

Source: *NRN* Research

**NRN* Estimate



One of the new-look Jack-in-the-Box units, above.



The original menu with a Jack-in-the-Box clown. In trying to attract young adults, the clown is being phased out.

Breakfast from 6:30 to 10 a.m. features four kinds of egg-cheese-breakfast meat croissant sandwiches ($1.45 and $1.55); scrambled eggs, bacon, hash browns and muffin ($1.89); pancakes and bacon ($1.49), and an egg-and-cheese Breakfast Jack sandwich (available anytime) for $1.29.

Lunch, snack and late night customers can choose from burgers, jumbo burgers and fish fillet sandwiches from 65¢ to $1.75. Or they can move up a notch to four "Supreme Sandwiches," each $2.09, including a bacon cheeseburger on a special poppyseed roll, a hot ham and cheese sandwich, a swiss & bacon burger on grilled rye, or a pocket pita sandwich stuffed with turkey, ham, bacon, lettuce and tomato, and offered with a choice of four sauces, including onion-flavored mayonnaise.

Lighter appetites and health concerns are addressed with "Supreme Salads"—shrimp ($2.89), taco ($2.49), and chef ($2.59)—offered with either thousand island, blue cheese, reduced calorie French or buttermilk house dressings.

Dinner-in-the-box items, sold from 4 p.m. in carry-out boxes with wedge fries, garlic bread and green salad, include sirloin steak ($3.59), fried shrimp (15 for $3.39) or fried white meat chicken strips (five for $3.19).

Ethnic appetites have choices at 85¢, 99¢, $1.39 and $1.89 including a taco, a super taco, a jalapẽno-and-spicy cheddar-sauced nachos item, and a "Supreme" nachos dish, including seasoned beef, beans and diced tomatoe.

Fries (59¢ and 79¢), onion rings (85¢) and a hot apple turnover (50¢) conclude the food offerings. Coffee, lowfat milk, orange juice, sodas and shakes range from 40¢ to 80¢, completing the menu.

Not saddled with a single-product identity like some burger chains, Jack-in-the-Box remains free to continue adapting new food trends—limited perhaps only by kitchen- and menu-size constraints.

The chain itself appears poised for a new round of physical expansion, after having pruned out and sold off nearly a fourth of its restaurants from its 1979 high of more than 1,000. As many as 70 company-operated units could be back-built into existing markets in fiscal 1985

Foodmaker, now purely a fast-food specialist since the spinoff of its lower-margin dinnerhouse operations, expects to see its move to specialization validated with a fourth consecutive year of record-breaking profits at the end of the fourth quarter next month.

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAST-FOOD BURGERS

Shift to building stores after fine-tuning menu

RAX

COLUMBUS, Ohio — After years of reformulating and then fine-tuning its menu mix, Rax Restaurants will apparently depend on a more traditional means of fueling growth—building stores.

The up-and-coming chain began a massive menu overhaul in late 1982, adding baked potatoes and soups to the salad bars it had in place since 1979.

New sandwiches, such as a turkey-bacon club and roast beef with onions and peppers, were added. Today, 40% of the chain's sales come from its signature roast beef sandwiches. It has no burgers.

Strong Sales

Sales per unit, expected to top $830,000 this year, have grown 40% since 1982. And, with 450 units expected this year, the chain is 2½ times the size it was four years ago. Franchise commitments, if all are fulfilled, could double the chain's size by the end of the decade.

This summer, Rax is attempting to get its money's worth of its salad bar equipment by featuring an assortment of fresh fruit. Customers pay the standard $2 for a 12-in. platter at the all-you-can-eat "endless" salad bar.

In addition, Rax is touting "great shakes," a richer mix topped with fresh fruit. Priced at under $1, it began with strawberry, evolved into blueberry and should finish its run at the advent of fall with a chocolate-chip topping. Marketers do not tout the fact one shake contains 700 calories.

Breakfast, tested in two versions, has been shelved, officials say, because Rax would be unable to compete with a distinguishable edge against the national chains.

The latest new product is a fish sandwich, priced at $1.59, served with a lemon wedge for extra panache. During Lent it pulled 7% of sales. If it falls below 2% it will be pulled.

But the pace of new product rollouts is expected to slow. Rax now has almost everything on its menu that its competition has except fried chicken and burgers, providing what executives feel is a marketable point of difference.

With greenhouses on the street-side of most units now, Rax will apparently attempt to consolidate its position as an adult fast-food chain.

RAX
ROAST BEEF
SALAD BAR
OPEN TODAY
1ST IN EUREKA
200 TH IN USA

RAX

(Fiscal Year Ended July 30)

	1983	1984*	Current Fiscal Year*
Systemwide Sales (In Millions)	$153.0	$223.0	$315.0
Revenue (In Millions)	$63.0	$81.0	$105.0
Net Profit (In Millions)	$2.4	$3.8	$4.9
Average Same-Store Sales (Units open 12 mos. or more)	$681,000	$761,000	$837,000
Number of Units	244	370	450

Source: *NRN* Research

**NRN* Estimate

Making a stronger showing after 60 years, 200 units and no franchises

WHITE CASTLE

COLUMBUS, Ohio — White Castle, the little wonder of the fast-food burger segment, is celebrating 60 years in business with average sales at its nearly 200 units pushing $1.3 million.

That's a remarkable figure, outpacing segment leader McDonald's, and is even more impressive because the chain's signature menu item is a tiny burger that sells for 28¢.

But that little burger is an institution in White Castle's markets in the upper Midwest and Northeast. The chain's customers are a fiercely loyal group, a point driven home in White Castle's recent testimonial-style ads.

Firmly committed to a very limited menu, White Castle nevertheless is testing a 59¢ chicken sandwich in 13 Ohio units. The breaded and fried chicken patty is served on a hamburger bun with lettuce and tomato.

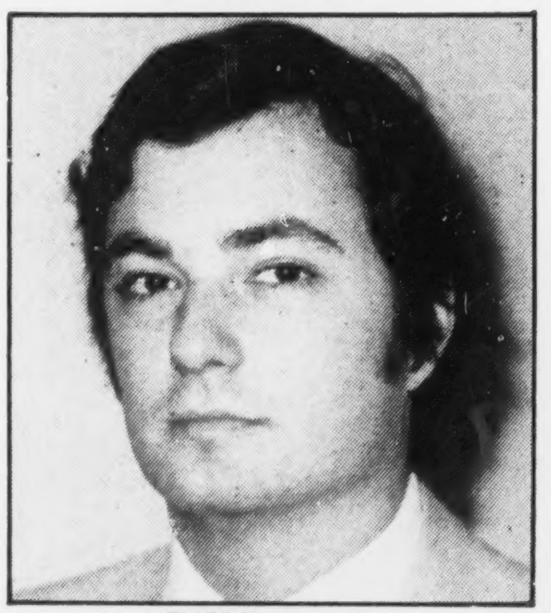
In a handful of Cincinnati and Minneapolis area units, a turkey sandwich was added last year. White Castle also has a fish sandwich, fries and beverages.

New units are about 1,500 sq. ft. in size compared to the 2,700-sq.-ft. units the chain was building several years ago. The smaller units cost about 30% less to build and have break-even sales point about $100,000 less than the larger units. About 20 are opening this year.

White Castle maintains a policy of no franchising. Its decentralized operations leave some marketing, promotions and new product decisions in the hands of area managers.

Bill Ingram, president and chief executive whose family founded and controls White Castle, says no major menu diversification drive is planned because the chain "is not in a hurry to increase unit sales."

White Castle's philosophy, he adds, is to "maintain the standards and improve the service at the units. Our biggest challenge is to make all the employees aware of what the customer wants: A good product at a fair price and fast service."



Bill Ingram
president

> ***'White Castle maintains a policy of no franchising. Its decentralized operations leave some marketing, promotions and new product decisions in the hands of area managers.'***

WHITE CASTLE

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year
Systemwide Sales (In Millions)	$193.0	$210.0	$238.0
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$1.13	$1.21	$1.28
Average Per-Person Check*	$2.31	$2.42	$2.51
Number of Units	170	176	196

Source: *NRN* Research

Taking a big gamble on a systemwide upscale renovation

TACO BELL

IRVINE, Calif. — Taco Bell is looking to roll. Company strategic planners are gambling cash and reputations that a massive systemwide upscaling will transform the giant fast-food Mexican chain into a front-line force in fast food.

Already a major player in the fast-food stakes as an integral part of PepsiCo's food-service family, Taco Bell expects systemwide sales to grow by more than 25% this year to about $900 million as a result of the first phases of its heavily funded, systemic metamorphosis.

Destined to touch virtually all of its 1,800 existing units (at a cost of about $175,000 each) and radically alter the form and function of newly constructed stores, Taco Bell's plan would boost fast-Mexican right into the competitive mainstream now dominated by fast-food burger and chicken chains.

The anticipated synergism would include a number of elements now being deployed nationally on a market-by-market basis, including:

- Revamped decor packages and crew uniforms for existing stores.
- A tastefully redesigned logo and new signage.
- Continuation of building/kitchen expansions and drive-thru retrofits.
- New menu boards to glorify product upgrades and menu-mix refinements.
- Massive increases in advertising to launch new menu-item innovations.

Taco Bell boosted its media budget 171% this year to $38 million, making it the fifth-largest advertiser in fast food. Recent rollouts of Nachos BellGrande ($1.99) and taco salad ($2.89), plus a Star Trek III tie-in appear to have made effective use of the company's promotional war chest.

Taco Bell expects per-store average sales to rise by about $100,000 this year over last, as a result of the recurrent "Just Made For You" ad theme, the new product intros, and a concerted effort by the regime of president John Martin to make stores operate with an efficiency of service equal to the company's marketing efforts.

Moreover, introduction of taco salad this summer was expected to give the chain a major boost by attracting women in greater numbers into a customer base formerly dominated by men.

Projections placed incremental sales gains from the launch of the 18¾-oz. salad alone at about 30%. Nachos BellGrande reportedly bumped up average unit sales by nearly 15%. Platter combos scheduled for rollouts next year would be followed by Mexican accented breakfast items to further broaden Taco Bell's market, according to estimates.

Moreover, Taco Bell expects to build up to a new-unit construction pace of from 300 to 400 new stores per year (costing about $650,000 each) over the next three years. Already in virtually every major market in the country, the chain would expand its presence dramatically and would reach into new territories from such an accelerated development schedule.

The insatiable appetite of consumers for Mexican food, and an evolution in taste preferences toward complex, spicy flavors, have been perceived by Taco Bell marketing executives, bolstering their expectations for the chain.

TACO BELL

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$570.0	$710.0	$900.0
Revenue (In Millions)	$314.0	$400.0	$490.0
Pretax Profit (In Millions)	$40.0	$46.0	$63.0
Average Same-Store Sales (Units open 12 mos. or more)	$400,000	$460,000	$550,000
Number of Units	1,489	1,660	1,850
% Menu-Price Increase			3.5

Source: *NRN* Research

**NRN* Estimate

TACO BELL
DRIVE THRU

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAST-FOOD CHICKEN

KFC dominates the fast-food chicken market with more than 6,000 units and a 50%-plus market share. That lock is becoming even more secure with KFC's massive unit expansion program. Meanwhile, smaller chains are battling each other for regional market dominance.

A 50 per cent share of the market surely means they do chicken right

KFC

By Joe Edwards

LOUISVILLE — Kentucky Fried Chicken is trying to boost its 50%-plus share of the domestic fast-food chicken market with a breakneck expansion pace that this year is bringing one new restaurant into the system every 21 hours.

At the same time, the 6,300-unit chicken chain is building larger restaurants with three times as many seats as a typical unit in an attempt to encourage eat-in dining and woo new customers, especially at lunch. The bulk of KFC's sales are from takeout dinner business.

KFC is also spending $60 million on television advertising this year, vs. $49 million in 1983, to drive home its claim that "We do chicken right." And it is making a special effort to attract more Hispanic customers.

Richard Mayer

The expansion strategy is designed partly to show that the domestic market is neither saturated nor approaching saturation Chairman-chief executive Richard Mayer, in fact, contends that many areas of the United States are actually "under-developed" when it comes to fast-food chicken restaurants.

The experiment with the 155-seat units, which have an "upscale" decor and freestanding tables and chairs, is KFC's attempt to capture higher unit sales and to compete more effectively with a slew of newer chicken chains such as Mrs. Winners and Grandy's.

So far, KFC has had little trouble responding to its new competition. When Popeyes and then Bojangles showed that New Orleans-style chicken and side dishes are popular outside the South, KFC added its own spicy chicken in some urban markets. It was also late with scratch-made biscuits, rolled out last summer, but in both instances KFC came up with winners.

Biscuits are generating 8%-10% of unit sales, much of its incremental, and KFC has been posting real sales gains (sales adjusted for inflation) for several years.

KFC dominates the fast-food chicken segment. Its closest competitor, Church's Fried Chicken, has only 1,400 units and a mere 7% share of the market. In fact, the second largest seller of fried chicken is not Church's, but McDonald's with its Chicken McNuggets.

Parent R. J. Reynolds, convinced that Mayer is right when he says saturation is not a problem, last year budgeted $100 million for KFC to open at least 1,000 new company-operated units worldwide by the end of 1988. In that same period, franchisees will open 1,200 new units.

Kentucky Fried Chicken
The Colonel's prices are down
KFC is bringing in a new restaurant every 21 hours.

This year alone, KFC is adding more than 400 restaurants, bringing its worlwide total to nearly 6,400 by December. Of that number, about 1,000 are company-operated and more than 1,500 are in 50 foreign countries.

KFC, the second-largest foodservice chain in number of units behind McDonald's, is concentrating domestic expansion in Tampa, Dallas, San Antonio, Phoenix, Houston, Baltimore, Washington and Philadelphia. About 100 units are being built in the Baltimore area and about 90 in the Washington area.

Overseas, much of the expansion will take place in Great Britain, Puerto Rico and the Far East.

At the beginning of this year, KFC was operating 526 companies units and franchising 974 units outside the United States, making it one of the largest American-based chains on foreign shores. By year's end, there will be a total of 6,371 KFC units worldwide.

Meanwhile, the chain has been stepping up its training programs to staff its new restaurants. A career advancement program has cut turnover dramatically and is preparing hourly workers for unit-level management positions.

Average same-store sales at company-operated units rose 7% to $524,800 at the end of 1983. Franchised same-store sales rose to $425,000 in 1983, up from $389,200 a year earlier.

Despite huge increases in the wholesale cost of chicken, KFC has not raised menu prices since 1982, when it took a 3% rise. Average per-person checks actually dropped 4¢ to $3.31 in 1983.

Franchisees are reporting success with a systemwide remodeling program that was first instituted at company-operated units. Jim Collins, chairman-chief executive of Collins Foods, KFC's largest franchisee with 251 units, says sales jump 19% each time he remodels and older unit at a cost of $92,000.

Collins, which operates about 50 KFC's in Australia, is using that continent as "a beachhead" for expansion in the Far East. Collins also is opening several larger units in California and is testing breakfast at a 100-seat KFC in Los Angleles. KFC does not yet have a breakfast program.

In markets with large Spanish-speaking populations (Miami, New York, San Diego, Houston, San Antonio and Corpus Christi, Tex.), KFC is aiming ads and promotions at Spanish-speaking residents.

Pop singer Jose Feliciano has signed on as spokesman. KFC sponsored the Puerto Rican Day Parade in New York and the Little Havana Carnival in Miami.

KFC earlier this year identified Puerto Rico as one of its under-developed markets and plans expansion there.

Mayer recently named Donald Doyle, an 11-year veteran, president of KFC-USA.

KENTUCKY FRIED CHICKEN

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year
Systemwide Sales (In Billions)*	$2.4	$2.5	$2.8
Revenue (In Millions)	$670.0	$774.0	$896.0
Average Same-Store Sales (Units open 12 mos. or more)**	$489,200	$524,800	$566,000
Average Per-Person Check	$3.35	$3.31	$3.31
Number of Units***	5,779	5,971	6,371
% Menu-Price Increase	3.0%	0.0%	0.0%

Source: *NRN* Research

*Systemwide sales for domestic units were $1.7 billion in 1982 and $1.87 billion in 1983; international sales were $668 million in 1982 and $708 million in 1983. Revenue from company-operated domestic stores was $415.7 million in 1982 and $498 million in 1983.

**Figures for company-operated domestic units only, which totaled 936 in 1982 and 998 in 1983. Average same-store sales at franchised units were about $100,000 less in each year. Company-operated international units reported average same-store sales of $550,800 in 1982 and $523,800 in 1983.

***Breakdown for number of units; in 1982, 936 company-operated domestic units, 3,457 franchised domestic units, 460 company-operated international units, and 926 franchised international units; in 1983, 998 company-operated domestic units, 3,473 franchised domestic units, 526 company-operated international units, and 974 franchised international units.

Fighting the mainstream competitors with expansion, more new menu items

BOJANGLES

NEW YORK — While plotting a 70% physical growth rate, Bojangles' chicken-and-biscuit chain is apparently finding tough competition not only against fried chicken chains but also against fast-food's mainstream.

Last summer, the chain reacted against McDonald's Egg McMuffin with its own Eggbo Biscuit, now reportedly taking 5% of sales at breakfast. The product was recently reformulated, dropping ham for bacon, in the Florida market.

The latest new product, introduced in February, is a chicken filet biscuit sandwich, reportedly earning a 10%-to-12% mix of sales.

Two more new products are scheduled for this year, one set for unveiling this summer, the other during the winter.

The chain, headquartered in Charlotte, N.C., but owned by New York-based Horn & Hardart Co., finds almost 40% of its sales in breakfast, which yields an average check of $1.75. Other dayparts average $3.50.

H&H acquired the chain in November 1981 for $11 million when there were 52 outlets. At the end of 1983 there were 214 units, 115 of them franchised, yielding systemwide sales of $126 million.

With development earmarked this year in Texas, Florida, Maryland and Virginia, Horn & Hardart expects 150 new units to be opened, all but 30 to 40 franchised. That could boost systemwide sales to $202 million.

Bojangles' Famous Chicken 'n Biscuits
HOME MADE BISCUITS
FREE COFFEE GRAVY BISCUITS
OPEN 6 A.M.
BO
Large signs, like the ones above, tell about Bojangles breakfast offerings. Trying to break into the mainstream has been tough.

BOJANGLES

(Fiscal Year Ended December)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$76.0	$126.0	$202.0
Revenue (In Millions)	$41.5	$6,801.0	$108.8
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$0.95	$1.05	$1.10
Average Per-Person Check*	$2.72	$2.80	$3.08
Number of Units	120	214	364
% Menu-Price Increase	3.0%	3.0%	7.0%

Source: *NRN* Research

*NRN Estimate

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAST-FOOD CHICKEN

55-store chain puts pressure on KFC, Church's

POPEYES

By Joe Edwards

JEFFERSON, La. — While exerting pressure on fast-food chicken segment leaders in some key markets, Popeyes Famous Fried Chicken is taking steps to solidify its No. 3 position against such fast-track newcomers as Bojangles and Grandy's.

Breakfast is now served in 181 of the chain's 455 units and will be rolled out systemwide by next year. Popeyes is testing a large unit with a nonplastic, "upscale" decor and salad, dessert and baked potato bars. In addition, there is growing speculation that the chain will go public soon to raise expansion capital.

With only 55 restaurants, Popeyes is no match for the 6,300-unit Kentucky Fried Chicken and the 1,400-unit Church's for share of total market. In head-to-head competition, however, Popeyes' units demonstrate an ability to draw more customers than its larger competitors.

One multiunit KFC franchisee ruefully admitted recently that when a Popeyes unit opens near one of his restauants, his volumes drop off.

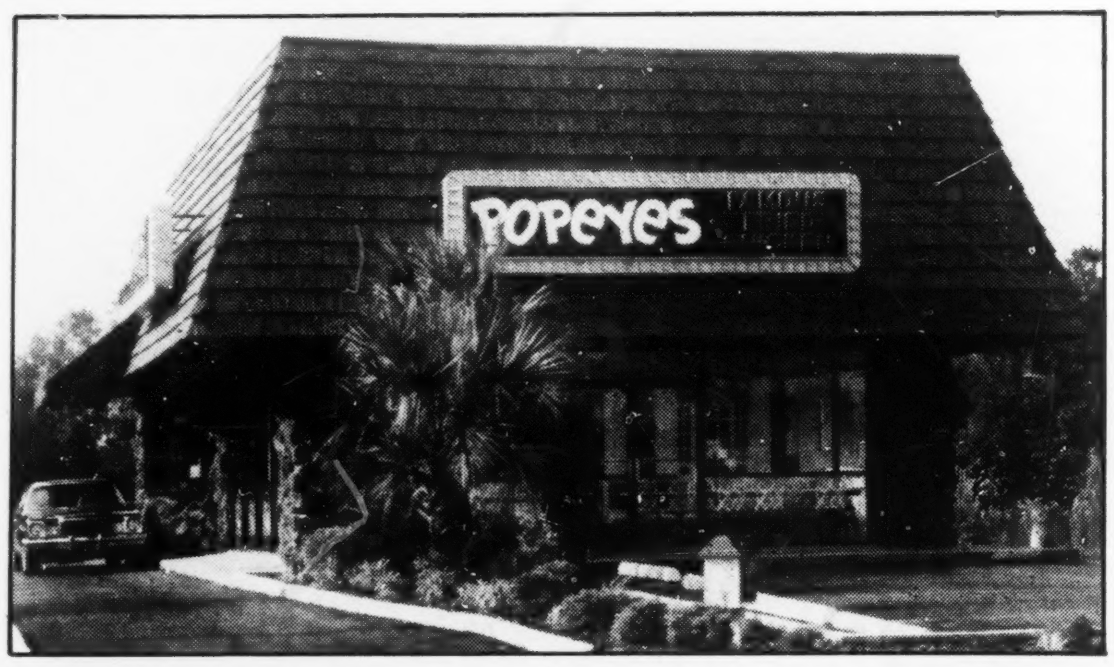
Popeyes' average unit sales for fiscal 1984 ending Oct. 29 will be $750,000, about $300,000 more than the averages at Church's and franchised KFC units. But Popeyes customer counts have been flat this year—the 5% rise in unit volumes came entirely from menu price hikes.

One reason for Popeyes' high unit volumes is high menu prices: Check averages are $3.90, about 60¢ more than KFC and 40¢ higher than Church's. But Popeyes apparently has a competitive edge in some markets, particularly those with large black and Hispanic populations, because of its offerings—a fast-food version of spicy, Cajun-style chicken and side dishes.

Systemwide sales will rise 31% to $302 million during the current fiscal year, due mostly to contributions from 65 new restaurants that opened since last November. Operating profits are up about 19%.

Popeyes, meanwhile, like other chicken chains, is coping with another round of wholesale chicken price hikes which are squeezing margins and may be responsible for further menu price increases that could drive average per-person checks over the $4 mark in the near future. In July, the chain was paying about 69¢ a pound for chicken.

"We took a small price increase several months ago to offset some of that," explained franchising vice president Terry Rhoton when asked about the 25¢- to 30¢-a-pound hike in wholesale chicken prices last winter. "It has affected margins a little bit, but we're still operating on high volumes."



Nationwide, Popeye's is no match for Kentucky Fried Chicken or Church's, but in some markets units have higher volumes.

Popeyes main strategy appears to be to fend off increasing competition from a host of newer chains, especially Bojangles, Mrs. Winners, Grandy's and Sisters, each of which is looking to expand nationally.

Some of them have been posting impressive average unit volumes—often in excess of $1 million—with full breakfast menus, larger dining areas and broader appeal than traditional fast-food chicken chains, which do a bulk of their business at dinner with takeout packages.

Now Popeyes is developing its own larger unit with 100 seats, compared to its standard 45, a broader menu and a decor package designed to encourage more eat-in sales. "We're going after the upscale chicken market," Rhoton declared.

Popeyes breakfast menu, which is in about 100 franchised units and 81 company-operated units, includes biscuit sandwiches, scrambled egg platters and a $1.99 Country Breakfast that features two eggs, sausage, hash browns, grits and a biscuit.

On another front, the chain is testing a full-service dinnerhouse concept called Copeland's of New Orleans.

The three Copeland's of New Orleans dinnerhouses feature hickory and mesquite smoked meats, aged steaks, andouille sausage, blackened redfish, roast beef with po' boy gravy and Cajun burgers. Biscuits and ice cream are made on the premises. Copeland's may be franchised sometime in 1985.

Popeyes is opening two or three chicken restaurants a week, a pace that will continue through next year.

POPEYE'S

(Fiscal Year Ended Oct. 28)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$175.0	$230.0	$302.0
Revenue (In Millions)	$48.0	$55.0	$60.0
Operating Profit (In Millions)	$3.6	$6.3	$7.5
Average Same-Store Sales (Units open 12 mos. or more)	$615,000	$715,000	$750,000
Average Per-Person Check*	$3.80	$3.90	$3.90
Number of Units	309	390	455
% Menu-Price Increase	6.7%	4.5%	5.0%

Source: *NRN* Research

**NRN* Estimate

Take-out stores, ambitious marketing are key ingredients to long-range goal

CHURCH'S

SAN ANTONIO — Church's Fried Chicken, attributing recent real sales gains to its new, aggressive marketing program, expects to emphasize marketing even more next year.

Meanwhile, development strategy hinges on the new take-out ministores that will establish Church's in markets and locations where it hasn't been before and serve as the key to long-range market-penetration plans.

Church's expects to grow by acquiring other chains as well as by expanding its own concepts. In the next year it may use some of its $40 million cash reserves to buy a small, growing chain that needs the financial and technical support Church's can give. The selection by chairman J. David Bamberger of Richard Sherman as president is important because of Sherman's acquisition experience at Hardee's.

CHURCH'S

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$504.0	$548.0	$660.0
Revenue (In Millions)	$424.0	$464.0	$543.0
Net Profit (In Millions)	$41.0	$31.0	$44.0
Average Same-Store Sales (Units open 12 mos. or more)	$383,000	$388,000	$440,000
Average Per-Person Check*	$2.85	$3.00	$3.50
Number of Units	1,379	1,480	1,600
% Menu-Price Increase	4.0%	9.5%	4.5%

Source: *NRN* Research

**NRN* Estimate

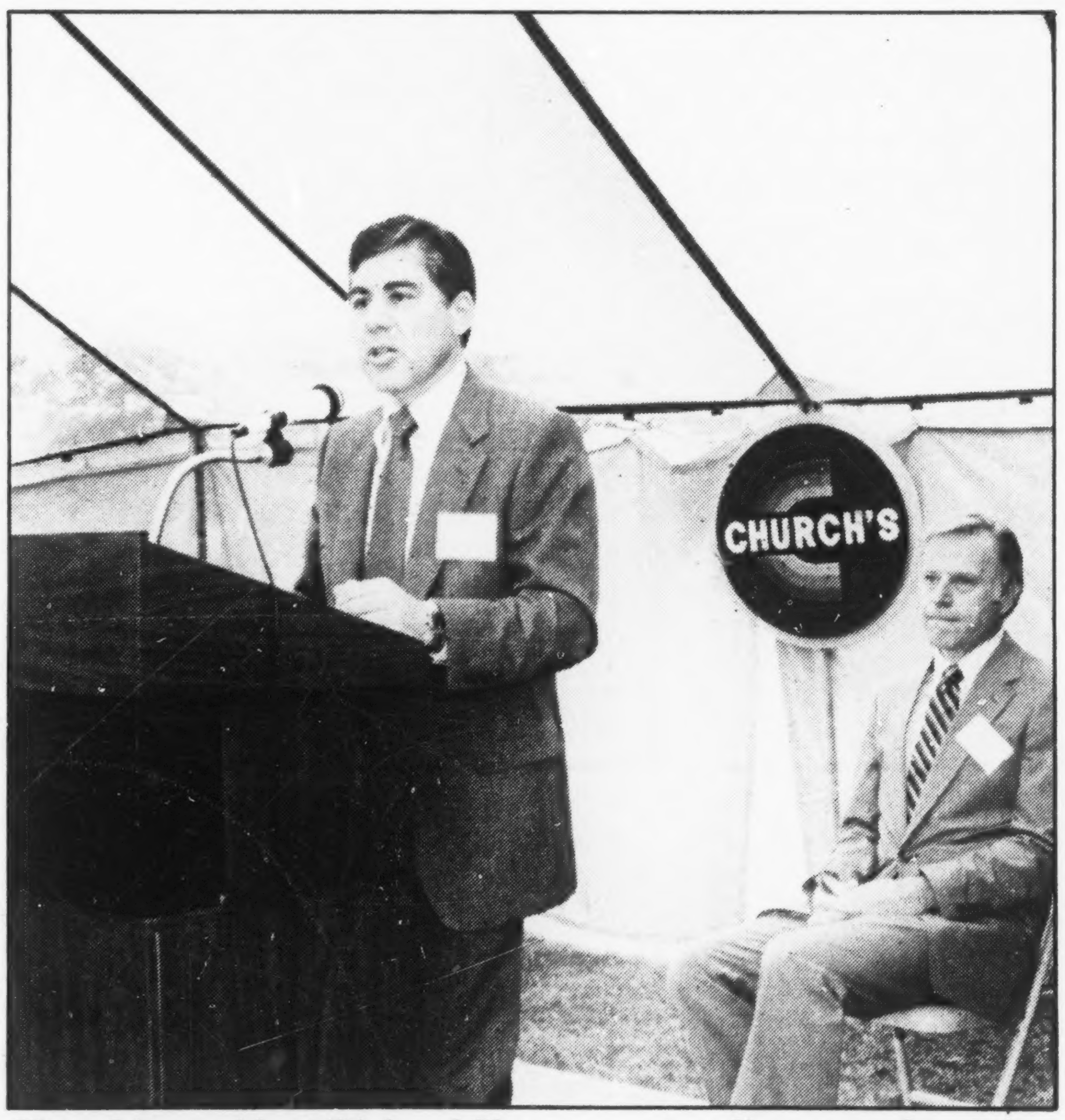
At the same time, speculation continues that Church's itself is a prime candidate for a takeover. Management, maintaining that the chain is not for sale, has mobilized to prevent such a move.

What made Church's vulnerable to such speculation has been a lackluster performance over several years, marked by declines in real sales and profits. Net profits are now rising again and real-sales gains have been made for three straight quarters. Marketing is said to be the decisive factor.

This year Church's will spend about $18 million on advertising and promotion, a significant increase over last year's $7.5 million. The chain's first product-specific promotion, involving corn on the cob, has been termed successful in building volume and check size.

As for the ministores, although only six were in operation in early July, they are showing impressive results. One store is registering sales of $500,000, computed on an annualized basis. That exceeds an estimated average annual volume of $440,000 at a regular Church's unit with seating.

> ***'This year Church's will spend about $18 million on advertising and promotion, a significant increase over last year's $7.5 million.'***



Church's president Richard Sherman, at podium, speaks at the annual meeting this year. Chairman J. David Bamberger, seated, looks on.

Church's says it might have as many as 25 of these ministores (with a maximum 400 sq. ft.) by year-end. One analyst said he believes these units are the perfect outlet for higher-income areas where Church's has not had much presence. If the strategy is correct, Church's could more easily weather the next recession.

Menu diversification is not expected to play a major role in Church's efforts to turn around. New products introduced in the past few years have not met with great success. Church's executives said their best chance for sales growth comes from concentrating on the items it does well. Product comparisons with segment leader KFC are expected to continue in the chain's advertising.

For the half-year ended June 10, Church's reported a 14% increase in revenue to $233 million, compared to the same period last year. Net profit, however, declined about 6% to $17.7 million.

CHAIN ANALYSIS/PART 1: PIZZA

Major pizza chains succeed with building lunch sales, never one of their strong suits, and follow the lead of Domino's and local moms & pops by testing home delivery. Unit expansion, international development, some new menu items and stepped-up advertising are also on tap.

Expansion, home delivery are on 1985 agenda

GODFATHER'S

By Don Jeffrey

COSTA MESA, Calif. — Diversifoods' Godfather's, completing its rollout of pan pizza this month, reports unit sales increases of 15% to 50% from the new product. It now accounts for 40% of the chain's total pizza sales.

Next on the agenda is a test of home delivery. Godfather's, like other chains that have tried to duplicate Domino's success in delivery, sees this move as a way to capture a brand new market. In addition, the growth of regional chains and aggressive marketing moves by segment leader Pizza Hut have forced Godfather's to make delivery a focus for 1985. It's also in test at Pizza Hut.

But no evidence is available so far that a chain like Godfather's can effectively weave home delivery into its regular restaurant operations without causing strain on the units and possibly harming its reputation.

President Charles Boppell says the chain's greatest priorities are to upgrade operations and show leadership in the 1,000-unit system. In the past year Godfather's has moved from being basically a franchise company to being an operating company, with the acquisition of two major franchisees.

Godfather's has created four operating divisions around the country, each headed by a vice president. All report to Boppell in the chain's new headquarters in Costa Mesa. Only financial and data-processing functions remain in Omaha.

Unit growth in the next year may be achieved as much by acquisition of small regional chains as by traditional expansion. These chains would be converted to Godfather's to create a presence in unpenetrated markets.

Godfather's also may show significant expansion in the nation's largest metropolitan areas, especially in New York, where the Riese Organization has already established presence with franchised stores. National pizza chains have traditionally not done well in this market; therefore, much attention will be paid to Riese's performance in expanding the concept. In Los Angeles, development has been held up pending the outcome of Sambo's trials.

GODFATHER'S

(Fiscal Year Ended December)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$313.0	$350.0	$440.0
Revenue (In Millions)	$88.0	$117.0	$135.0
Net Profit (In Millions)	$9.0	$11.0	$14.0
Average Same-Store Sales (Units open 12 mos. or more)	$424,000	$425,000	$430,000
Average Per-Person Check*		$4.65	
Number of Units	776	887	1,025
% Menu-Price Increase		0.0%	1.0%

Source: *NRN* Research

**NRN* Estimate

Though there has been much change at Godfather's in the past year—most significantly, the merger with Chart House to form Diversifoods—one potent symbol of the once-independent company started by Willie Theisen has returned—the Godfather himself.

After criticism from Italian-American groups forced the chain to retire actor Bill Koll from commercials that depicted him as a gangster-like figure, sales became flat. Analysts and executives have said there was a direct relationship—that the chain suffered from a lack of identity. Koll is now back in TV ads—in a way not offensive to Italians—and executives report a "dramatic increase in awareness" of the chain.

As for Theisen, now vice chairman of Diversifoods, he has given up day-to-day responsibilities within the chain and limits his role to consulting.

Aiming for a bigger slice of the pizza pie market with barbecue-beef

PIZZA HUT

By Don Jeffrey

WICHITA, Kan. — Pizza Hut, the first major pizza chain to set its sites on the market created by barbecue's spreading popularity, is nevertheless stepping gingerly with an uncharacteristically slow rollout of its barbecued-beef topped pizza.

With headquarters strategists feeling out the market for evidence of limited appeal, franchisees have been given the option of rolling out taco pizza, which was available in some markets for years, as an alternative to barbecue.

Notably absent at the moment is the gut-feel enthusiasm that accompanied the last successful new product intro, that of Personal Pan Pizza. That product opened up the chain's lunch day part, resulting in a 40% increase in lunch sales, and added a fast-food dimension to the restaurants' operations.

The barbecue item is aimed primarily at dinner business, where competition with other pizza chains is most intense. But it is available on the 6-in. Personal Pan as well.

Meanwhile, the test of home delivery continues, with no decision yet on a rollout. To prevent strains on restaurant operations, Pizza Hut's delivery, unlike that of some major competitors, is out of separate units designed for that purpose only. A central phone number is used for placing orders.

Pizza Hut's test of delivery recognized that the success of Domino's has created a new market and nurtured its growth.

Growth plans

Expansion targets for the 4,300-unit chain include an international market such as Canada as well as the big, sprawling domestic market of Los Angeles. Pizza Hut will jointly develop Los Angeles with its franchisees. National Pizza Co., the biggest franchisee with 94 units, has made its initial public stock offering as a way to help finance growth in Los Angeles. Traditionally, the big national pizza chains have had trouble cracking this market.

A. Gunther
Pizza Hut president

Pizza Hut recently purchased 16 units of a Canadian regional pizza chain for conversions, doubling its presence in the country. Expansion in Britain, through agreements with companies like Whitbread, has reportedly not gone as well as expected.

Because of the success of Personal Pan pizza and an aggressive marketing drive, Pizza Hut is likely to have another highly profitable year. Despite this success, it fired its advertising agency, Foote Cone & Belding, because of dissatisfaction with its creative work, ad sources say Pizza Hut lacks a strong image. At presstime, the chain was said to be close to announcing Chiat/Day as the new agency for its $20 million national advertising account.

President Arthur Gunther appears firmly in charge of the nation's largest pizza chain, with little or no interference from conglomerate parent PepsiCo. Industry observers are still looking forward to a hot market share battle now that Gunther's former boss at PepsiCo, Don Smith, heads chief competitor Godfather's parent Diversifoods.

PIZZA HUT

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Billions)	$1.3	$1.6	$1.9
Revenue (In Billions)	$0.9	$1.1	$1.3
Operating Profit (In Millions)	$73.0	$94.0	$110.0
Average Same-Store Sales (Units open 12 mos. or more)	$315,000	$400,000	$456,000
Number of Units	4,250	4,300	4,450
% Menu-Price Increase	5.4%	4.2%	3.0%

Source: *NRN* Research

**NRN* Estimate

International mkt. eyed, but few plans for U.S.

PIZZA INN

DALLAS — Pizza Inn, which kept growth on hold while closing unprofitable units, has given the go-ahead to unit expansion again, with emphasis on international markets.

This 750-unit chain already has a presence in several foreign nations and is actively seeking newer markets.

In the United States, though, it has not gone much beyond its southern core, in which some 80% of the units are located. The rate of franchise development is expected to pick up, though, after a period of little growth.

The chain's last major product rollout—pan pizza—now accounts for 43% of total pizza sales and has made Pizza Inn more competitive with the other chains. But there is no other significant new menu item producing results so dramatic.

Efforts at menu diversification—to move it away from total dependence on pizza—have not been wholly successful. Sandwiches did not boost sales as much as expected, and Italian-style entrees have not caught on in a big way.

Upswing

Despite fluctuating sales and decreased profits earlier this year due to unusually bad weather in the South. Pizza Inn has managed to massage margins back up again through cost efficiencies. Unit-level changes in supervision and scheduling have helped boost margins.

The company's new specialty hamburger concept, J. T. McCord's, is still in its infancy, starting out in the crowded and competitive Dallas market. No major signs are yet apparent on this chain's prospects.

Pizza Inn has been also diversifying by purchasing related businesses, such as a cheese plant, which will provide some of the restaurants' needs.

For the first quarter, ended March 25, net profit declined 15% to $805,000 as revenue increased 8% to $27.5 million.

F. J. Spillman is the president and chairman of this publicly owned company.

PIZZA INN

(Fiscal Year Ended December)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$228.9	$236.8	$255.0
Revenue (In Millions)	$140.5	$148.9	$200.0
Net Profit (In Millions)	$1.7	$3.6	$4.1
Average Same-Store Sales (Units open 12 mos. or more)	$356,800	$381,800	$405,000
Average Per-Person Check*		$1.85	$3.05
Number of Units	711	710	762
% Menu-Price Increase			2.0%

Source: *NRN* Research

**NRN* Estimate

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CHAIN ANALYSIS/PART 1: FAST-FOOD FISH

Menu expansion and product-oriented marketing are the keystones of the fast seafood segment today. Bottom-line oriented management at segment leaders Long John Silver's and Captain D's have begun to reverse the sagging margins and customer counts of years past.

New approach, new products replacing discounts

LJS

By David Zuckerman

LEXINGTON, Ky. — For Jerrico's 1,355-unit Long John Silver's fast-seafood chain, a new product-oriented marketing thrust will totally replace the margin-eroding discounting and couponing approach associated with the chain in recent years.

Under president John Tobe, who replaced Ernest Renaud earlier this year, LJS has retained a new advertising agency (Foote, Cone & Belding) to help reposition the chain to stand squarely on its own product line.

A substantial increase in television advertising will tout the inherent value of the LJS menu, which will include a host of innovative new menu item rollouts in the near future, according to Tobe.

Battling a prolonged earnings slump characterized by stagnant traffic counts, Long John Silver's—under Renaud—had attempted to reverse its fortunes by discounting and virtually giving away products. While the formula drew more customers, it failed to increase earnings as store margins fell below 15%.

Tobe's bottom-line-oriented management style, coupled with a recent decrease in the price of codfish, could provide the spark for a long-awaited turnaround. For the fourth quarter ended June 30, Long John Silver's traffic continued to rise despite a sharp reduction in couponing programs. Moreover, store margins crept steadily upward to about 17% while earnings increased by some 5%.

John Tobe
Long John Silver's President

Despite these gains, the chain is looking for ways to boost average annual store sales which are currently hovering at about the $500,000 mark. Increased advertising and new product introductions should help substantially, but improvements in unit design are another key element in Tobe's formula.

A new store prototype, featuring increased seating, more accessible service facilities and a brighter more modern decor, will be used for the 60 or so new units slated for fiscal 1985. It has been estimated that these new stores are capable of producing annual sales of close to $1 million.

For older stores, a major unit remodeling program is now under way that will provide a complete facelift for about 300 company stores per year. At a cost of about $20,000 per store, the revamped LJS units will be brighter and more modern than their predecessors and will offer a larger seating capacity. The company estimates that these store improvements could add as much as $25,000 of annual volume for each remodeled unit.

While new store development will be held to about 4.5% in fiscal 1985 as the chain struggles to recover, Long John Silver's will be looking to penetrate some new markets principally in the Northwest and the Sunbelt areas

LONG JOHN SILVER

(Fiscal Year Ended June 30)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$554.5	$677.5	$733.6
Revenue (In Millions)	$454.1	$462.0	$494.2
Net Profit (In Millions)	$21.2	$20.3	$21.3
Average Same-Store Sales (Units open 12 mos. or more)	$447,500	$500,000	$525,000
Number of Units	1,313	1,355	1,415
% Menu-Price Increase	2.0%	2.5%	

Source: *NRN* Research

**NRN* Estimate

'Tobe's bottom-line oriented management style, coupled with a recent decrease in the price of codfish, could provide the spark for a long-awaited turnaround. For the fourth quarter ended June 30, Long John Silver's traffic count continued to rise

Officials hope more and more of these structures begin to pop up in the Northeast.

Scattered success may evolve into a bigger share of the market

CAPTAIN D'S

NASHVILLE — Captain D's seafood chain, while enjoying only scattered success with menu expansion, has a chance to substantially increase its share of what observers feel is a wide-open market.

With the highest average unit volume in the segment (projected at $546,000 this year) and increases in real sales and margins, Captain D's can close the gap on segment leader Long John Silver, which has a threefold lead in total sales and units.

The chain has apparently become stronger since Gary Spoleta, president of parent Shoney's Inc., took over day-to-day responsibilities after Wayne Browning left several months ago. Real sales gains of 3%-4% have been reported this year.

Shoney's bottom-line efficiency in running restaurant concepts is a big plus in considering Captain D's growth. The parent recently reported its 100th consecutive quarter of net profit increases.

But menu expansion has yielded mixed results at the fast-seafood chain. The breakfast bar—which helped boost volumes at the Shoney's restaurants—has been a failure at D's, probably because customers don't perceive a seafood chain as a breakfast place. Products like steak in a basket and scallops have reportedly not been winners either.

Captain D's is testing a seafood club sandwich and a seafood salad. The salad is said to be doing well, but the club is not breaking any sales records.

Unit-level operations have been tightened, resulting in better margins and a customer perception that the restaurant offers a good price-value relationship. Better labor scheduling improved speed of service. Free beverage refills promoted the price-value factor.

To widen margins D's has cut back on price-cutting promotions. Shoney's Inc. has never thought much of discounting as a tool for building volumes.

Unit growth has been slow but analysts feel the chain has the potential to become a nationwide challenge to Long John's. The company has been buying low-volume franchised units and turning them around as company-operated stores

Many of the units of this Southeast-based chain have now been converted to the new "Franklin Design," which has been described as "upscale nautical decor."

Some Captain D's have adopted a nautical interior.

CAPTAIN D's

(Fiscal Year Ended Oct. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$190.0	$205.0	$225.0
Revenue (In Millions)	$103.3	$116.5	$132.7
Operating Profit (In Millions)	$8.3	$10.0	$13.2
Average Same-Store Sales (Units open 12 mos. or more)	$523,000	$525,000	$546,000
Number of Units	405	426	454
% Menu-Price Increase	2.0%	2.1%	2.0%

Source: *NRN* Research

**NRN* Estimate

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAMILY RESTAURANTS

With the scramble to carve up the once-mighty Sambo's empire apparently ended, family restaurant chains settle into a period of slower unit expansion. Village Inn Pancake Houses emerges as a potential strong competitor for segment leader Denny's in several key markets.

Expansion plans may slow after a year of growth

DENNY'S

By Richard Martin

LA MIRADA, Calif. — After several years of steady growth aided by an aggressive acquisition/conversion strategy, Denny's will continue to expand into 1985 from recently purchased restaurants still in the pipeline awaiting makeovers.

But the nation's largest full-service chain run by a single company may slow up expansion a bit thereafter as management works to pay off a huge debt it plans to incur in an $800 million leveraged buyout proposed in May.

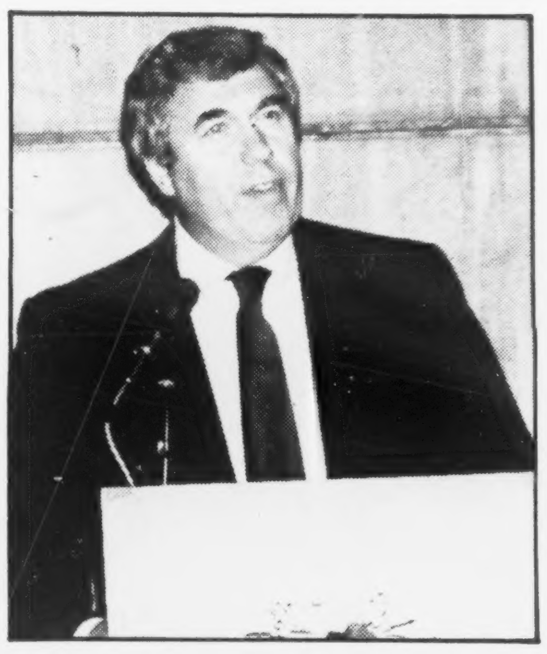
Denny's president and chief executive Vern O. Curtis and his team have bought up a bit of everything in sight over the last two years—more than 200 units in all including Sambo's, VIP's, Alphy's, Colony Kitchens. Now they want to buy Denny's itself, currently publicly held, in conjunction with institutional investors.

At the end of fiscal 1984 in June, only about 20 of the 78 Colony Kitchen units bought earlier this year had been switched to the Denny's format. The balance, plus about 30 new units due to be built, will continue in the short term to advance Denny's thrust at market-share dominance (already increased in the years 1979 through 1983 from 18% to 27% of the full-menu segment occupied by the five major coffee shop chains).

But assuming the pending buyout meets no snags and is concluded later this year, Denny's may turn its attentions from buying competing restaurants (such prospects may have been dwindling, anyway) to debt service, continued menu-mix and marketing refinements and freestanding-with-drive thru development of the less costly to build El Pollo Loco chain.

However, slower physical growth doesn't mean Denny's won't persist in slicing off coffee-shop market share increments over the long haul—aided by one important factor of management-team stability which seems to be guaranteed by Vern Curtis' innovative twist on the usual, restricted, leveraged buyout formula.

Unlike a classic LBO, equity in a privately held Denny's would be broadly shared directly among 50 or so principal executives, plus majority-share outside investors. This stabilizing and loyalizing tactic may also be expanded, Curtis indicates, by inclusion of hundreds, maybe thousands, more Denny's employees through some forms of stock-option or profit-sharing plans.



Vern O. Curtis
Denny's president

Meanwhile, give the possibility of future interest-rate volatility, doubts are being raised generally about the efficacy of LBO's, in which a company's assets become collateral for its own acquisition. Moreover, securities exchange regulators and other economics mavens have begun to question and oppose the "casino-like" aspects of unfriendly buyout attempts—and the alarming, even lawsuit inspiring, "greenmailing" which can result.

Proponents of the Denny's plan say it would be unfair to have these negative sentiments taint Curtis' broadened equity-involvement concept.

However, sources at the company acknowledge that if interest rates rise dramatically their LBO plan could be put at risk. But architects of the plan obviously doubt such a turn will materialize.

While attentions were distracted by the LBO proposal, Denny's continued to rack up impressive results on operations of its coffee shops and Winchell's Donut shops in 1984.

Estimates of results for the year ended June 29 placed average annual unit sales nearer the $1 million mark, with operating margins over 8.5% (they were 7.2% last year, 6.6% the year before). Revenue and net profit for 1984 may have climbed better than 15% from 1983.

Nine-month net profit was $33.6 million on revenue of $909 million, increases from the same period in 1983 of 15.3% and 16.2%, respectively. Nine-month operating income was up 20% to $83.8 million.

Two big winners on the coffee shop and doughnut shop menus in 1984 were pegged to enhanced price/value perceptions. Denny's $1.99 "Build-a-Breakfast" promo boosted weekday a.m. traffic with a wide variety of juice, egg, meat and starch options at a fixed price.

Winchell's "deep discount" offer of $2.79 a dozen for doughnuts attracted volume buyers away from supermarkets—helping boost average unit sales 13% in the third quarter, when prices rose only 2%. Both the breakfast and doughnut promos were expected to run indefinitely.

DENNY'S

(Fiscal Year Ended June 29)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Billions)	$1.2	$1.4	$1.6
Revenue (In Billions)	$1.1	$1.2	$1.4
Net Profit (In Millions)	$40.2	$44.0	$48.0
Average Same-Store Sales (Units open 12 mos. or more)			
Denny's	$940,000	$980,000	$1,000,000
Winchells	$192,000	$205,000	$217,000
Number of Units	2,001	2,155	2,260
% Menu-Price Increase		3.5%	

Source: *NRN* Research

**NRN* Estimate

Marriott taking reins, unity sought: systemwide image overhaul ahead

BOB'S BIG BOY

WASHINGTON — With parent Marriott finally taking a firm hold on the reins, the Big Boy coffee shop system will undergo a complete overhaul aimed at transforming the loosely knit network of licensees into a unified restaurant organization.

Despite the defection of Shoney's—once the largest franchisee in the system with 392 units—Big Boy is moving forward with an across-the-board marketing plan designed to yield systemwide improvements in such areas as competitive strategy, site location and menu development.

Under a restructured management team headed by Edward W. Doherty, vice president of Marriott family restaurants, Big Boy is currently developing a new variable-size unit prototype, testing a variety of menu items and working out a national advertising campaign that will project the chain as a single entity rather than a collection of regional operations. There are currently about 800 remaining franchised Big Boys (operated by 20 licensees) and some 200 company-owned Bob's Big Boy restaurants on the West Coast and in the Washington, D.C., area.

While the company intends to leave its West Coast Bob's Big Boy operation intact for the near term, activity on the East Coast will be widespread, with company-owned Bob's in the Washington area as the prime testing ground. The vast territory abandoned by Shoney's will provide fertile ground for the bulk of new unit development, which will include some 75 additional restaurants during the remainder of the current fiscal year.

Among the more interesting development on tap for the near future is the new variable-size unit design, which will be used for all new construction. While the standard Big Boy unit seats around 160, this new version can be adapted to seat anywhere from 140 to 220 patrons, enabling it to serve a growing market.

On the menu front, salad and breakfast bars will be standardized and installed in all East Coast units (they're also being tested on the West Coast). For the evening meal period, a program to convert breakfast bars to all-you-can-eat dinner buffets is currently under study. Featuring such hot entrees as fish, the dinner buffet will be offered in tandem with the salad bar at a single price (not yet determined). A marinated chicken breast entree and a fish sandwich supreme are also being tested for rollout in East Coast markets.

h's
OY
BIG BOY

The familiar "Big Boy" in front of every restaurant is due to go through some internal changes.

Believing that Big Boy, as a unified entity, can some day be the segment leader in the family restaurant/coffee shop arena, Marriott has also been busy improving and enlarging the chain's management team. Besides the elevation of Doherty, the company is in the process of hiring a new marketing vice president, a new franchise development vice president and a separate vice president of finance for the Big Boy chain.

BIG BOY

(Fiscal Year Ended Dec. 30)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Billions)	$1.1	$1.4	$1.1**
Revenue (In Millions)	$197.0	$220.0	$240.0
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$0.95	$1.10	$1.20
Number of Units	1,777	1,250	925**

Source: *NRN* Research

**NRN* Estimate

**Figure reflects loss of 392 shoney's restaurants, which disassociated from the Big Boy franchising system. Shoney's paid Marriott $13 million to disolve the licensing agreement.

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAMILY RESTAURANTS

Tests under way to develop coffee shop concepts

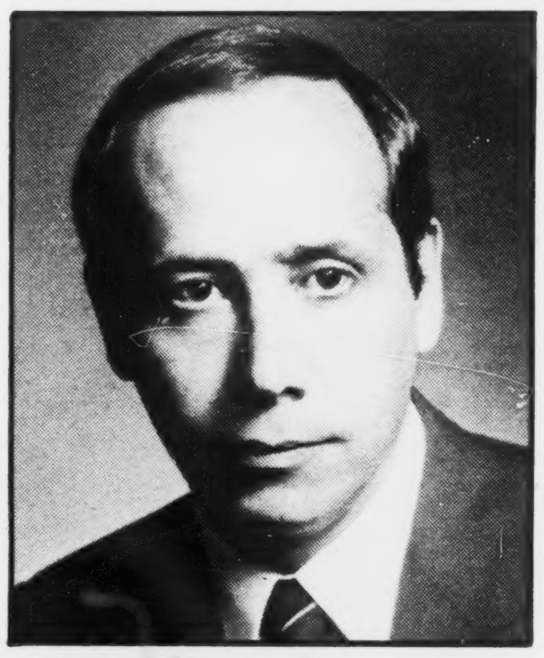
HOJO

By Susan Spedalle

NORTH QUINCY, Mass. — Howard Johnson's restaurant group is testing a number of concepts which may replace the old orange roof coffee shops by the middle of next year.

Over the past few years the company has been redoing the exteriors of its 800 coffee shops. Greenhouses, sunroofs and gray roofs replaced the more dated exteriors. (Inside, the restaurants have been undergoing refurbishment for the past seven years.) Of the 800 restaurants, almost 500 are company owned, another 86 are highway operations and 225 are licensed operations.

The 500 company-owned stores could be transformed to represent one of four new concepts currently being tested. They include a casual theme restaurant called Bumbershoots, or an upscale coffee shop called Paddywack's, a more modern version of the existing coffee shop or a concept called "Howard Johnson's Plus," which may be a hybrid coffee shop/theme restaurant. The "Howard Johnson's Plus" concept begins testing in an as-yet-unidentified market this October.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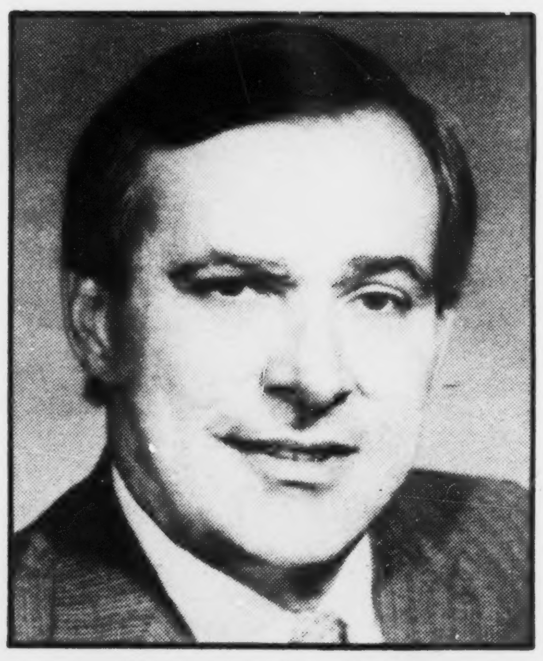
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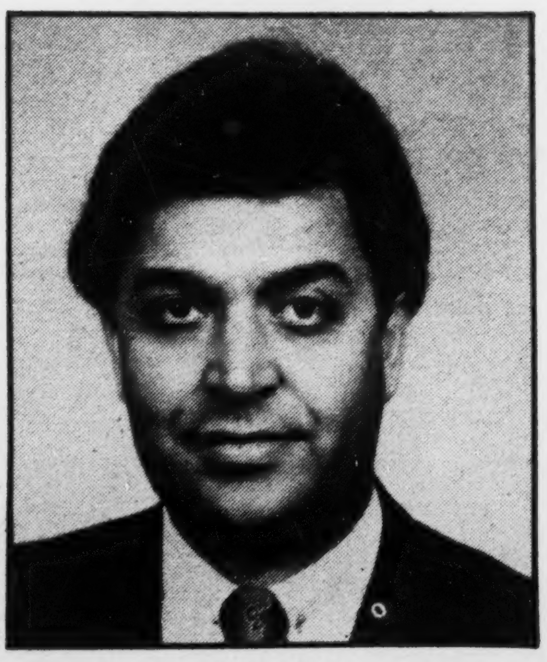

Bob Zia

"By mid-1985," says Tom Russo, president of the restaurant group, "the company will address the entire chain with one or more of the concepts in test."

Russo describes the company as being in a "testing mode right now" and is expanding their tests; a second Bumbershoots will open this fall in Saddle Brook, N.J., and the new Pickalilys dinnerhouse concept just opened this summer.

"By mid-1985," says Russo, "we'll have an idea of the viability of these concepts, which might include a more modernized Howard Johnson's," he says.

Russo describes a more modernized Howard Johnson's as "what [the restaurant] could be if the chain had progressed and evolved over the past 10 years and changed in step with customer demands."

Building would then commence for three years, says Russo. Meanwhile, the 225 unit Ground Round chain is being refurbished at a rate of 100 units in 1984 and 125 in 1985 with a program which lightens the concept in menu and decor.

After testing a single prototype in 1983, Russo found great customer acceptance of the changes proposed in the Ground Round concept. Instead of dark furniture and dim lighting, peanuts on the floors and bars against the wall, the company created an airy open floor plan and put the island bar in the middle of the unit. Colors were added in light "sherbet" tints, huge video screens were traded in for smaller 24-in. screens and skylights and greenhouses were added.

The Ground Round menu was also lightened with salads and less of a dependence on the traditional red meat menu. Outside the units, the exteriors were changed from dark brown to a light tan and green.

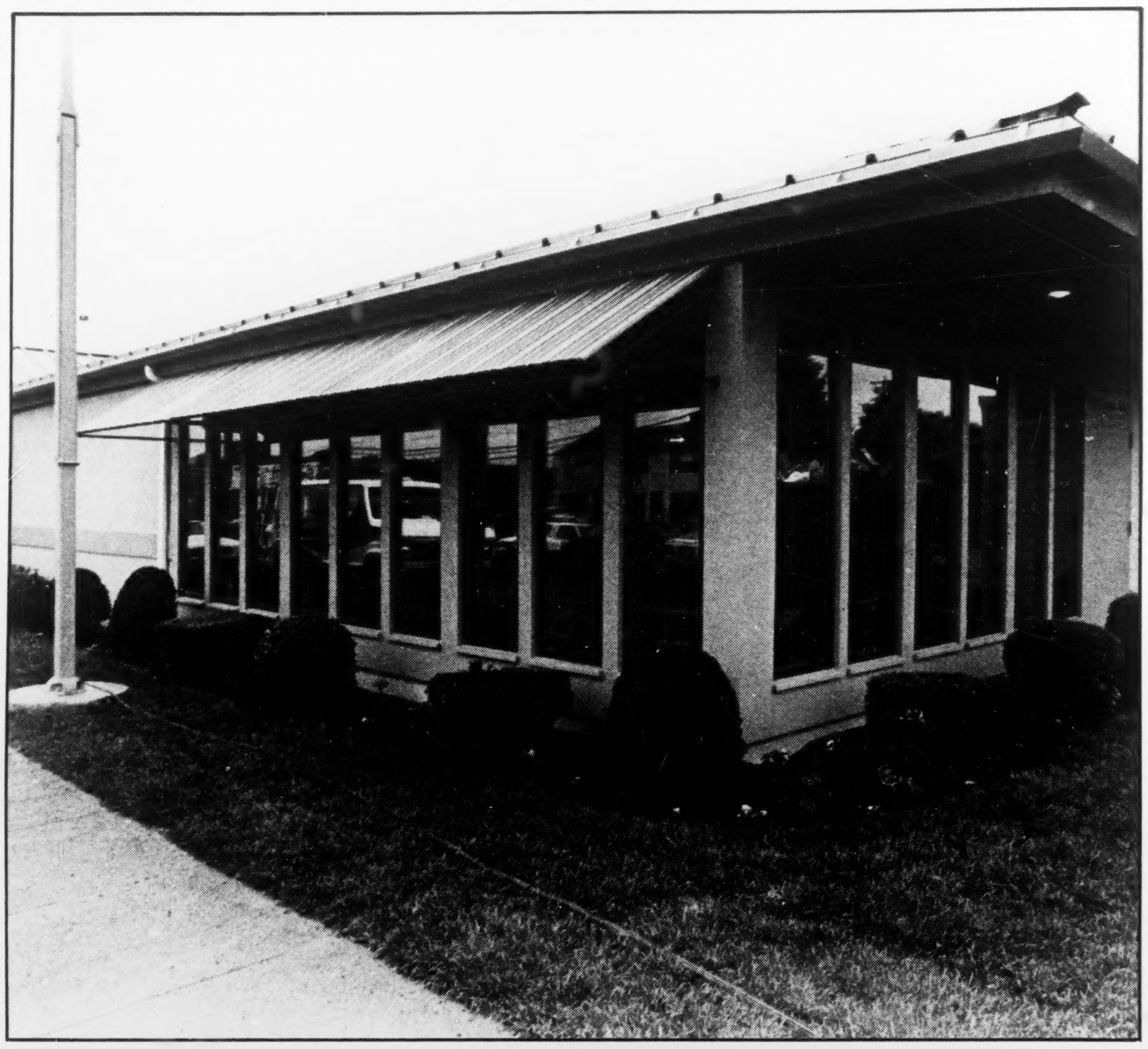
The changes, which cost $200,000 per unit, were meant to result in an increased average check and rising customer counts. According to Russo, average store volume has gone from a little less than $1 million per unit to almost $1.2 million.

By mid-1985 when the refurbishment program is over the company plans to return to the more aggressive 25 units per year growth rate. For 1984, however, only 10 Ground Round units will be added.

Although Russo says that the company's 87 thruway coffee shops still have a future, Howard Johnson's has made progress with their thruway Burger King operations. There are currently five Burger King's open on the Pennsylvania and Massachusetts Turnpike and the New York Thruway. Two units and one combination Burger King/Kentucky Fried Chicken will be added in 1984 on the Illinois Toll Road.

Russo expects to end 1984 with five BK units, will add four in 1985 and expects to add at least that many by the end of 1986. Original plans call for 20 units within the next five years.

The success of the Burger King concept on the thruways does not lessen the need for coffee shops, says Russo.


President Tom Russo says "the company will address the entire chain with one or more concepts in test" by 1985. The unit shown above is an example of one concept.

5-year plan targets 50% growth

PERKINS

MEMPHIS — Launching its first development effort since Holiday Inns bought the company five years ago, Perkins Restaurants plans to increase the size of the 309-unit family restaurant system by 50% during the next five years.

The relatively modest growth target follows years of retrenchment, re-examination and finally reconditioning. When Holiday Inns bought the then-Minneapolis-based chain in 1979 for $39.5 million in stock, there were 364 restaurants.

Perkins has reportedly budgeted $12 million for capital projects this year, up from $700,000 in 1983. In addition, a multimillion-dollar financial-aid package is reportedly being assembled for new franchisee construction.

Perkins, which originated as a pancake house 25 years ago, is cutting its dependence on breakfast with new lunch and dinner entrees. It calls a new line of hefty sandwiches "Grandwiches." Featuring ⅓-lb. burgers, they account for about 20% of sales.

Three years ago 4 out of 5 Perkins customers ordered a breakfast item. Now it's down to about half. While the breakfast daypart once dominated sales, traffic is now evenly split.

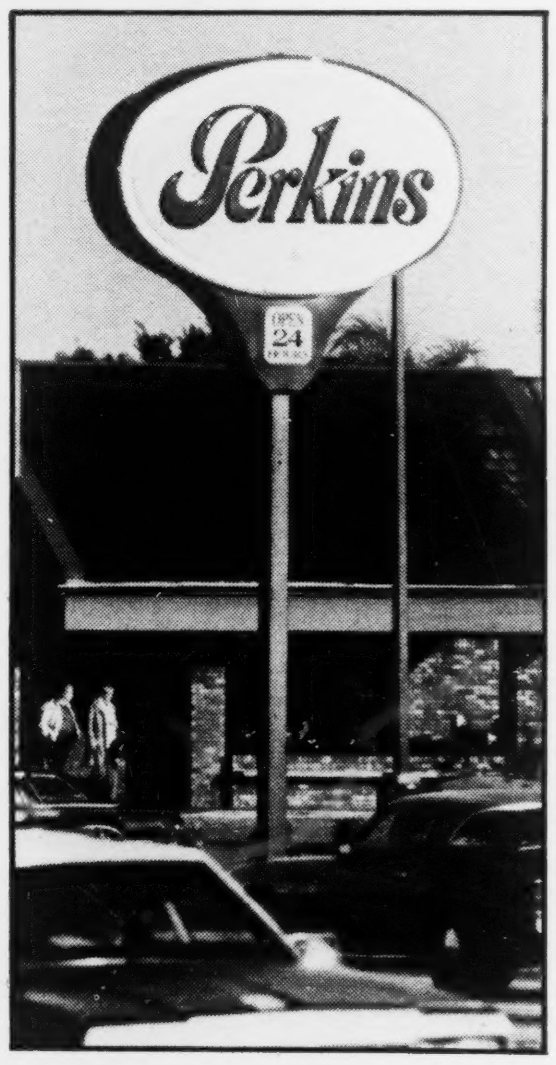
Executives appear to be positioning the chain to steal business from fast feeders. The typical tab of $3.40 in company stores and closer to $3 in franchised stores competes with both established burger chains and the up-and-coming breakfast-oriented chicken-and-biscuit chains.

New development is coming first in the Memphis area, with six to nine new stores where there are none now. More development may follow in the Southeast.

Meanwhile, the two-thirds franchised chain continues to sell single-unit franchises as it fills out existing territories. New royalty schemes call for 4% fees, although the average remains closer to 2%.

The chain has units in 26 states, but considering that 60 units are located in Ohio, the chain could be very busy in the coming years simply exploiting the hard-fought beachheads it has.

Perkins' moves, however, may be designed to make the chain more attractive to prospective buyers. There is speculation that Holiday Inns wants to sell Perkins. A few months ago, preliminary discussions were held with Vicorp which decided not to pursue an acquisition of Perkins because Vicorp's Village Inn Pancake Houses compete directly with Perkins in too many markets.



PERKINS RESTAURANTS

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$270.0	$290.0	$310.0
Revenue (In Millions)	$101.0	$106.0	$110.0
Operating Profit (In Millions)	$5.0	$5.4	$6.0
Average Same-Store Sales (Units open 12 mos. or more)	$870,000	$966,000	$1,060,000
Average Per-Person Check*	$3.05	$3.25	$3.35
Number of Units	311	309	315
% Menu-Price Increase	3.0%	6.0%	3.0%

Source: *NRN* Research

**NRN* Estimate

CHAIN ANALYSIS/PART 1: FAMILY RESTAURANTS

Limited menu O'Goodies test called 'encouraging'

Friendly's program to upgrade and standardize its sandwich shops and family restaurants, is nearing completion.

FRIENDLY

WILBRAHAM, Mass. — As it moves toward completion of a systemwide upgrading and standardization program at its ice cream and sandwich shops and family restaurants, Friendly is also taking a thoughtful look at a new limited menu "dip shop" format called O'Goodies.

Launched in late 1983, the chain's first test unit in Holyoke, Mass., has been targeted toward walk-in traffic at mall locations and strip centers. The 200-sq.-ft. shop offers two flavors of on-premise-made ice cream—chocolate and vanilla—which are served in hot waffle cones.

The basic cone sells for $1.62 and comes with three "mix-ins" such as candies, fruits and nuts. The customer can add additional "mix-ins"—including toppings such as hot fudge and butterscotch—for 35¢ each.

Although Friendly currently operates more than 200 mall and shopping center restaurants, O'Goodies' small, streamlined format could be more easily tailored to fit into mall food courts across the country.

A spokesman for the Hershey-owned chain said early results from the Holyoke test unit are "encouraging," and a second test unit will be opened in Worcester, Mass., by the end of 1984.

Friendly also continued its ongoing program of upgrading and standardizing decor and menus in ice cream and sandwich shops and family restaurants. According to the company, this program, which began in the early 1980's and is now nearing completion, is responsible along with new restaurant openings for the chain's continued sales growth—up $47.7 million, or 14%, in 1983, compared to last year's figures.

Another, more family-oriented restaurant design has been evolving among the newer operations, with an emphasis placed on booth rather than counter seating. Salad bars have been installed at these newer units.

A revamped summertime ice cream menu that includes 19 different sundaes also features a new exruded ice cream product called the Wattamelon Roll. In addtion there will be an expanded test on ice cream cakes at approximately one-third of the chain's units.

The company also rolled out its Reese's Peanut Butter Cup Sundae chainwide for the summer.

FRIENDLY ICE CREAM

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Revenue (In Millions)	$335.8	$383.5	$415.0
Operating Profit (In Millions)	$34.3	$39.4	$42.5
Average Same-Store Sales (Units open 12 mos. or more)	$500,000	$550,000	$585,000
Number of Units	641	667	692
% Menu-Price Increase	5.5%		

Source: *NRN* Research

**NRN* Estimate

Proposed Sambo's acquisition holds key to growth

VILLAGE INN

By Joe Edwards

DENVER — Village Inn Pancake Houses and a sister family restaurant chain, Bakers Square, will balloon in size to 450-plus units if a proposed acquisition by parent Vicorp of 183 Sambo's-owned restaurants is approved by Federal bankruptcy court.

The pending acquisition will establish Vicorp as a major national player in the family restaurant segment now dominated by Denny's, which has more than 2,000 units. Nearly 100 of the Sambo's sites are in California, where Denny's rules the roost.

Denny's, which has been swallowing smaller competitors through acquisitions over the last two years, reportedly was outbid by Vicorp for the Sambo's sites, as were Diversifoods and W. R. Grace.

Following court approval of the acquisition, Vicorp will begin converting the 147 Sambo's-operated Seasons, 21 Sambo's-franchised Godfather's Pizza and 15 Sambo's-franchised Coco's to Village Inn and Bakers Square restaurants.

Vicorp, which started the year with 62 company-operated and 122 franchised Village Inn Pancake Houses, will spend between two and three years converting the Sambo's sites at a cost per unit of between $100,000 and $150,000, or a total capital outlay of between $18.3 million and $27.4 million.

This is in addition to the purchase price of $62.5 million—$6 million cash plus notes and $47.5 million of Vicorp stock paid to Sambo's creditors. Sweetening the deal for Vicorp is a $250 million tax credit from Sambo's net losses carried forward, shielding Vicorp from paying any income tax on the units for five to eight years.

The 183 Sambo's units Vicorp is picking up in the pending acquisition represent about 80% of what remains of the once-mighty Sambo's empire which stumbled in the late 1970's and finally crashed into bankruptcy two years ago. The sites Vicorp is picking up are the best-performing units, and were to be the nucleus of a revived Sambo's. But that never happened.

Village Inn Pancake Houses reported $832,000 average same-store sales in fiscal 1983 ended last Oct. 30 and have been enjoying 5% to 7% inflation-adjusted sales growth so far this year.

Units that have been refurbished with carpeting, window shades, ceiling fans, oak and brass fixtures, framed prints and plants are reporting volumes of $950,000 a year or more.

A typical freestanding Village Inn has 5,000 sq. ft. of public floor space with 22 booths, 24 tables and seating for 165 persons. Kitchen and storage space adds another 2,200 sq. ft.

Menus have been expanded to include new bakery items from the Bakers Square commissaries, which were picked up by Vicorp last year as part of its acquisition of 60 Poppin Fresh pie shops from Pillsbury.

Most Village Inn units are open 18 to 20 hours a day. Combined food, beverage and labor costs are 56.7% of total sales. Breakfast and lunch items are priced between $2.25 and $4.95 and dinner platters between $3.95 and $6.95 for all-day, per-person check averages of $3.45.

In addition to the pending Sambo's conversions, Village Inn is opening 15 to 20 company units and about 10 franchised units.

At Bakers Square, weekly unit volumes are up 17% to $21,400 in the last year due to the openings of takeout bakeries in most units, an advertising campaign and new menu items, which include a wider variety of baked goods, pita sandwiches, chili, burgers, specialty sandwiches, platters and breakfast. Profit margins have risen to 21% of sales vs. 19% a year ago. Menu prices have not been increased.

About 25% of Bakers Square's $1.1 million average unit sales are generated by the takeout bakeries. Half of takeout sales for baked goods are profit.

Vicorp is spending $25,000 a unit for new kitchen equipment to handle Bakers Square "boutique breakfast" menu that includes a half-dozen omelets, bacon and egg platters and pastries and rolls.

A typical Bakers Square is 4,200 sq. ft., seats 120 persons and is situated in a mall. Average per-person checks are $3.42. Units are clustered in Minneapolis, Detroit and Cleveland.

Bakers Square is experimenting with beer and wine sales but with "indifferent success," Vicorp chairman Gordon Miles says. Bakers Square is adding 10 to 15 units this year, mostly in malls.

Vicorp also acquired 71 dinnerhouses with moderate-price menus from Ralston-Purina's Foodmaker earlier this year for about $61 million. It recently signed a letter of intent to buy a majority stock interest in The Perfect Pan, a San Diego-based operator of six Piret's country French restaurant/gourmet deli units.

VILLAGE INN—BAKERS SQUARE

(Fiscal Year Ended Oct. 30)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$133.4	$183.0	$220.0
Revenue (In Millions)	$51.1	$95.6**	$112.0
Net Profit (In Millions)	$2.3	$4.8	—
Average Same-Store Sales (Units open 12 mos. or more) +	$786,000	$832,000	$870,000
Average Per-Person Check +	$3.40	$3.45	$3.55
Number of Units	178	182	272
% Menu-Price Increase +	3.3%	1.2%	3.0%

Source: NRN *Research*

*NRN *Estimate*

***Includes results of 60 Bakers Square acquired May 2, 1983.*

+ For 60 company-operated Village Inns only.

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAMILY RESTAURANTS

Diversity, innovation bring across-the-board gains

MARIE CALLENDER

LONG BEACH, Calif. — Affirming owner Don Gallender's instincts as an entrepreneur, the 101-unit Marie Callender's family restaurant chain is competing effectively with more sophisticated corporate organizations.

Despite Callender's apparent "fly-by-the-seat-of-his-pants" style of management and planning, his 16-year-old chain will post across-the-board gains on virtually all its financial barometers this year, while expanding into new markets.

This year, however, Marie Callender's will obtain a good part of its gains from a 10% menu-price increase, implemented in July to keep pace with commodity inflation and adjusted for two successive years of more moderate price hikes.

Callender's food-service empire, an outgrowth of a small, family-run pie supply business which began in southern California in 1948, extends into seven Western states. Largely unchallenged in its niche as a coffee shop/dinnerhouse/pie shop hybrid, the chain has evolved through franchise, joint venture and pure company operations.

In recent years, Marie Callender's has increased its menu diversity and unit-design refinement (including construction of elaborate, 225-seat, full-bar restaurants) to broaden its customer base.

A wide variety of fresh pies and other baked goods (turned out daily at the individual unit level) continues to anchor the Marie Callender's menu, which also features a moderately priced array of sandwiches, soups, stews, pasta and noodle specialties, "Mexicalifornia" items, seafood and other entrees, plus a salad bar.

Installations of conveyor ovens are continuing in some units, following tests of pizza items begun last year. So far, pizza has not progressed beyond experimentation in but a handful of units.

At an average cost of about $2.5 million per unit for equipment and building, expansion of the chain this year will add a restaurant in Phoenix and one in Tucson, Ariz. (joining others already in those cities). Late in the year, the company extends its reach in Texas beyond San Antonio with a unit in the new El Paso market.

And late this year or early next year, one of Don Callender's more ambitious restaurant projects will open: a 14,000-sq.-ft. unit, with an additional 2,000 sq. ft. of sidewalk cafe-style seating, fitted into an existing office building on busy Wilshire Boulevard in Los Angeles.

Destined to be the chain's most imposing outlet, the new showplace will also put Marie Callender's squarely into the densely populated heart of urban Los Angeles for the first time, in a spot a block east of the Los Angeles County Art Museum and the Rancho La Bree Tar Pits.

Development cost of the Los Angeles unit is reportedly exceeding early estimates, and could go higher from fine tuning of design and layout being dictated on the scene by Don Callender.

Menu development, unit design and decor, quality control, operations and training are all areas Callender personally supervises. Eschewing the computers, POS systems and "fancy strategic plans" embraced by many food-service companies of comparable size, Callender instead prefers to jet around to his restaurants, thereby getting a feel of how things are going—and acting accordingly on a more immediate basis.

Although Callender has expressed an interest in franchise expansion to the East, he says that "most people with enough money to get involved with [Marie Callender's] want to dictate how the thing should be run.

"I just don't have the patience to deal with those kind of people," concludes the maverick restaurateur who has repeatedly spurned buyout offers from companies like Pillsbury and General Mills.

MARIE CALLENDER'S

(Fiscal Year Ended Dec. 31)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$145.0	$155.0	$170.0
Revenue (In Millions)	$68.0	$76.0	$83.5
Net Profit (In Millions)	$3.9	$4.5	$4.9
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)*****	$1.75 $1.25	$1.85 $1.35	$2.00 $1.48
Average Per-Person Check*	$6.50	$6.75	$7.40
Number of Units	100	101	105
% Menu-Price Increase	3.0%	4.0%	10.0%

Source: *NRN* Research

**NRN* Estimate

**Newer, larger units with full bar.

***Smaller units with no bar.

On the comeback trail to greater competitiveness

IHOP

By Richard Martin

NORTH HOLLYWOOD, Calif. — Trying to crank up its lunch and dinner business, IHOP Corp.'s International House of Pancakes chain is on the trail "becoming more competitive," says president Richard Herzer.

But, he adds, "The rehabilitation of a chain this size won't happen overnight."

Indeed, avers Herzer, the sometimes unwieldly size of the 46-state, 460-unit, full-service chain "has been one of [IHOP's] problems" during recent struggles to shore up declining per-store sales averages, and to overcome a competitive malaise brought on by the bankruptcy demise last year of Swiss-based Wienerwald, the chain's former parent.

Backed by patient investment-banking creditors of Wienerwald who assumed ownership of IHOP, Herzer has begun to reshape the largely franchised blue-roof network.

To help itself stay afloat during lean times, the company spun off 22 units from the company-operated camp to franchisees and others over the last 12 months, in addition to selling the 39-unit Love's Barbeque chain. This redirection of assets cost IHOP $16 million in reduced revenue last year from 1982 levels.

But the trimmer company store fleet allowed IHOP to address at least some of the complaints franchisees have been voicing regarding the parent/company's support.

IHOP, which has seemed to be making a wearisome series of comebacks and declines in recent years, may now have found its feet.

Menu and motivation are seen by the company as the keys to a sustained recovery. A revamped menu featuring 17 new dinner items in the $2.50-$6 range has so far been installed in about 40% of the chain in a continuing rollout moving from West to East.

Unit operators report gains in nonbreakfast meal periods of from 50% to 100% with the new items aboard, reflected in a reported 9.6% average unit sales increase in the first half—less than 1.5% coming from menu-price inflation.

"We are pros in the breakfast segment," declares Herzer. "Our challenge now is motivating and training our people in the other day parts. We need to drive per-unit volumes up."

With most of its new dinner items falling in the $2-to-$4 bracket, IHOP is broadening its traditional blue-collar clientele, while also reinforcing its breakfast-period strengths through advertising funded from a $4 million annual media budget.

With funds derived from franchisee co-ops, TV spots like one running in the Los Angeles market are apparently having their effect. On TV, the large concentration of IHOP restaurants in Los Angeles feature a combo of eggs, bacon and sausage with choice of three kinds of pancakes for $2.49.

IHOP claims not to feel much competition from within the pancake-specialty niche it dominates. Outside that niche, however, fast feeders have caused customer defections through a growing, evolving involvement on their part with low-priced breakfast offerings (countered by IHOP with a "come in and have a decent breakfast" pitch in one ad campaign).

Check averages and the relative sales ratios of IHOP's meal periods are both in a state of flux, says the company.

But the reappearance of profit last year after a corporate loss of $1.47 million in 1982 has fostered an attitude of optimism in IHOP's executive suite.

"Most importantly, we have the past behind us," says Herzer. "We've divested all the non-IHOP concepts [Love's, Copper Penney], though it's taken us 20 years to do that. Now we'll concentrate on a 25-year-old, very viable concept."

Corporate plans for the next 12 months call for construction of about 10-or-so new IHOP units for franchising, each with 120 seats, 4,000 sq. ft., costing about $750,000 on average.

INTERNATIONAL HOUSE OF PANCAKES

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$208.3	$214.3	$230.0
Revenue (In Millions)	$98.6	$82.1	$80.0
Operating Profit (In Millions)	($1.5)	$3.1	N/A
Average Same-Store Sales (Units open 12 mos. or more)	$415,000	$467,900	$494,600
Number of Units	500	458	465
% Menu-Price Increase	4.0%	2.0%	1.5%

Source: *NRN* Research
N/A = Not Available

**NRN* Estimate

THE
International
HOUSE of
PANCAKES

IHOP president Richard Herzer says what's most important is that "we have the past behind us."

FOCUS NRN

CHAIN ANALYSIS/PART 1: DINNERHOUSES

In the dinnerhouse segment, pub restaurant chains cope with preventing customers from overindulging in alcohol while rolling out 'lighter' foods; seafood dinnerhouses experiment with new menu items, and Mexican dinnerhouses unveil massive expansion plans.

Menu additions evolve to please sophisticated palates

T.G.I. FRIDAY'S

By Ken Frydman

DALLAS — T.G.I. Friday's, the casual theme restaurant/pub chain whose success attracting young, upwardly mobile singles spawned an industry of imitators, is evolving with new menu design and philosophy as its customers develop more sophisticated palates and worldly lifestyles.

T.G.I. Friday's Inc. operates, licenses and franchises 78 casual theme T.G.I. Friday's restaurants/pubs in 29 states coast-to-coast, also operates seven Dalt's and two Fast Friday's in six states, including Florida, Texas and in the Northeast.

The company, which went public last December, plans to add approximately 20 T.G.I. Friday's this year and next, eight to 10 Dalt's—a 1940's-style bar and grill concept—and will continue to test market Fast Friday's, a 90-seat, Dallas and Oklahoma City-based concept with food and eclectic motif inspired by T.G.I. Friday's.

Attempting to appeal to the changing tastes and desires of the 25- to 40-year-olds who compose the core of its customer base, T.G.I. Friday's is experimenting with all three of its concepts.

"Our concepts are based on change. Today that means lighter, more healthful foods like Oriental, Mexican and Northern Italian dishes with ligher sauces—everything from gourmet pizza, shrimp salad, croissant sandwiches, and iced tea to red wine and fettuccini Alfredo," said Greg Dollarhyde, T.G.I. Friday's vice president of finance. "The whole idea is to have a broad enough product mix to pull in people from all walks of life."

Plan to add 20 units this year

Dalt's, T.G.I. Friday's and Fast Friday's also offer an array of soups and chili, hamburgers, appetizers, specialty sandwiches, house specialties, chicken and beef dishes, quiche, eggs and omelets and desserts. Dalt's best sellers include fried zucchini ($3.25), a steamed vegetable platter ($2.95), peel and eat shrimp ($4.25), bacon cheeseburger ($3.25) and spicy chicken burritos ($4.50).

T.G.I. Friday's is best known for its wide assortment of specialty and mixed drinks, which combine to contribute liquor sales totaling nearly 40% of total chainwide sales. Alcohol categories range from light drinks, cream drinks, fruit drinks, hot drinks and vodka drinks to cordials and a "drink compendium."

As T.G.I. Friday's and its spinoffs continue to chase millions of young, urban adults, its financial picture continues to brighten. Fiscal 1984 net profit for T.G.I. Friday's, Dalt's and Fast Friday's is up to an aggregate 9.6% to $11.4 million and operating profit, which constitutes 17.4% of sales, increased 6.3%, from $39.5 million in fiscal 1983 to $42 million in 1984. Revenue and systemwide sales have also climbed.

Following its first public offering last December, which raised $74 million through the issuance of 4.5 million shares of common stock, T.G.I. Friday's repaid a bank debt incurred to pay a dividend to parent Carlson Companies Inc. of Minneapolis. In fiscal 1983 net profit increased 10.3% to $10.4 million from $9.4 million in fiscal 1982, and revenue ballooned 22.3% to $229.5 million from $187 million in 1982.

Both average per-person checks, at $8.50, and menu price increases, at 2% annually, have held steady at T.G.I. Friday's over the last three fiscal years, although average same-store sales have risen 2.9% in fiscal 1984, from $3.4 million to $3.5 million. Dalt's and Fast Friday's $6 to $7 average per-person checks are slightly lower than T.G.I. Friday's.

"Our goal is to grow in net income by 25% to 30% over the next five years," said Dollarhyde.

In order to achieve that 25% to 30% net profit growth, T.G.I. Friday's will have to contend for customers and sales not only with Bennigan's and Houlihan's, but with another foodservice competitor—supermarkets and grocery stores.

"Grocery store products like Lean Cuisine and supermarket delicatessens are the biggest long-run competition for the eating-away-from-home dollar and the restaurant industry," said Dollarhyde. "Our most important goal is to keep customers happy and in the restaurants."

T.G.I. Friday's multiple-unit chain growth will be concentrated on key urban markets like Chicago and Los Angeles, where there are currently only seven restaurants. "We're very conscious of demographics. Friday's usually needs 350,000 people in a five-mile radius. There are seven million people alone in the Los Angeles basin area," Dollarhyde said.

Although menu design is being experimented with throughout the T.G.I. Friday's system, the theme decors will probably not be altered. Since the first T.G.I. Friday's opened on Manhattan's Upper East Side in 1965, the concept has been marked by the eccentric memorabilia collected around the globe by chain founder, president and chief executive officer Daniel R. Scoggin.

The 38 standard size, 232-seat and remaining 174-seat junior-sized T.G.I. Friday's are highlighted by tiered seating designed around large, four-sided bars with oak floors. Interior spaces are accented by brass railings, stained glass, hanging plants and modern objets d'art, moose heads, racing sculls, wooden airplane propellers, stained glass windows and wooden print blocks. The Dalt's interior design package consists of an exhibition cooking area, mahogany grillwork, marble counters and imported tile floors.

Like decor, the core menu at T.G.I. Friday's should remain intact. "Menu design wasn't our only innovation—so was menu content. T.G.I. Friday's was the chain which popularized appetizer potato skins, nacholupas, fried zucchini, stone-ground whole wheat bread, avocados, bean sprouts and Mexican appetizers across the country," said Dollarhyde.

T.G.I. FRIDAY'S

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year
Systemwide Sales (In Millions)	$186.3[1,3]	$227.1[1,3]	$268.0[2,3]
Revenue (In Millions)	$187.7[1,3]	$229.5	$272.0
Net Profit (In Millions)	$9.4	$10.4	$11.4
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$3.6	$3.4	$3.5
Average Per-Person Check	$8.50	$8.50	$8.50
Number of Units	75[1,3]	91[1,3]	89[2,3]
% Menu-Price Increase	2.0%	2.0%	2.0%

Source: *NRN* Research

**NRN* Estimate

[1] Includes 6 Dalt's units
[2] Includes 7 Dalt's units
[3] Includes 2 Fast Friday's

Lighter, lower calorie items created to meet young-adult market demands

HOULIHAN'S

KANSAS CITY, Mo. — Seeking to maintain its place on the crest of a moving wave of taste and public mores, Houlihan's Old Place Restaurants is adding lighter, lower calorie menu items and promoting a "responsible" approach to on-premise drinking.

The 63-unit Gilbert/Robinson owned and operated casual-theme chain recently introduced a supplemental, reduced-calorie menu, similar to the one unveiled by segment competitor T.G.I. Friday's.

"Our marketplace is changing and we want to change with it by giving our customers what they want," said Steve Thompson, Houlihan's financial vice president.

Houlihan's core market, like that of T.G.I. Friday's and Bennigan's, the other main casual-theme segment competitor, is composed of upwardly mobile 25- to 40-year-olds.

Among the most popular new low-calorie items in Houlihan's 140- to 185-seat units are 60-calorie chilled gazpacho ($1.95); 385-calorie stuffed potato skins with Monterrey Jack cheese ($3.85); 425-calorie chicken fajitas or 460-calorie beef tajitas, hand-rolled tortillas with bell peppers, onions, tomatoes and four spices ($6.85 and $7.65, respectively); 350-calorie sesame shrimp stir fry ($7.95), and 295-calorie peach melba mousse pie ($2.35).

For traditional Houlihan customers who "talk light, but eat heavy," the standard menu offers London broil with baked French onion soup and salad ($10.45), and a variety of quiche and salad or quiche and soup dishes ($5.65). "I think our menu design and pricing will continue to ride on changes in economic conditions," said Thompson.

Of course, Houlihan's bottom line still relies heavily on alcohol sales. But with the national uproar over drinking and driving has come a more responsible approach to pouring at Houlihan's. Its managers and bartenders carry cards advising drunken patrons that the restaurants can't continue serving them alcoholic beverages. The cards also offer the restaurants' assistance in calling inebriated customers a cab.

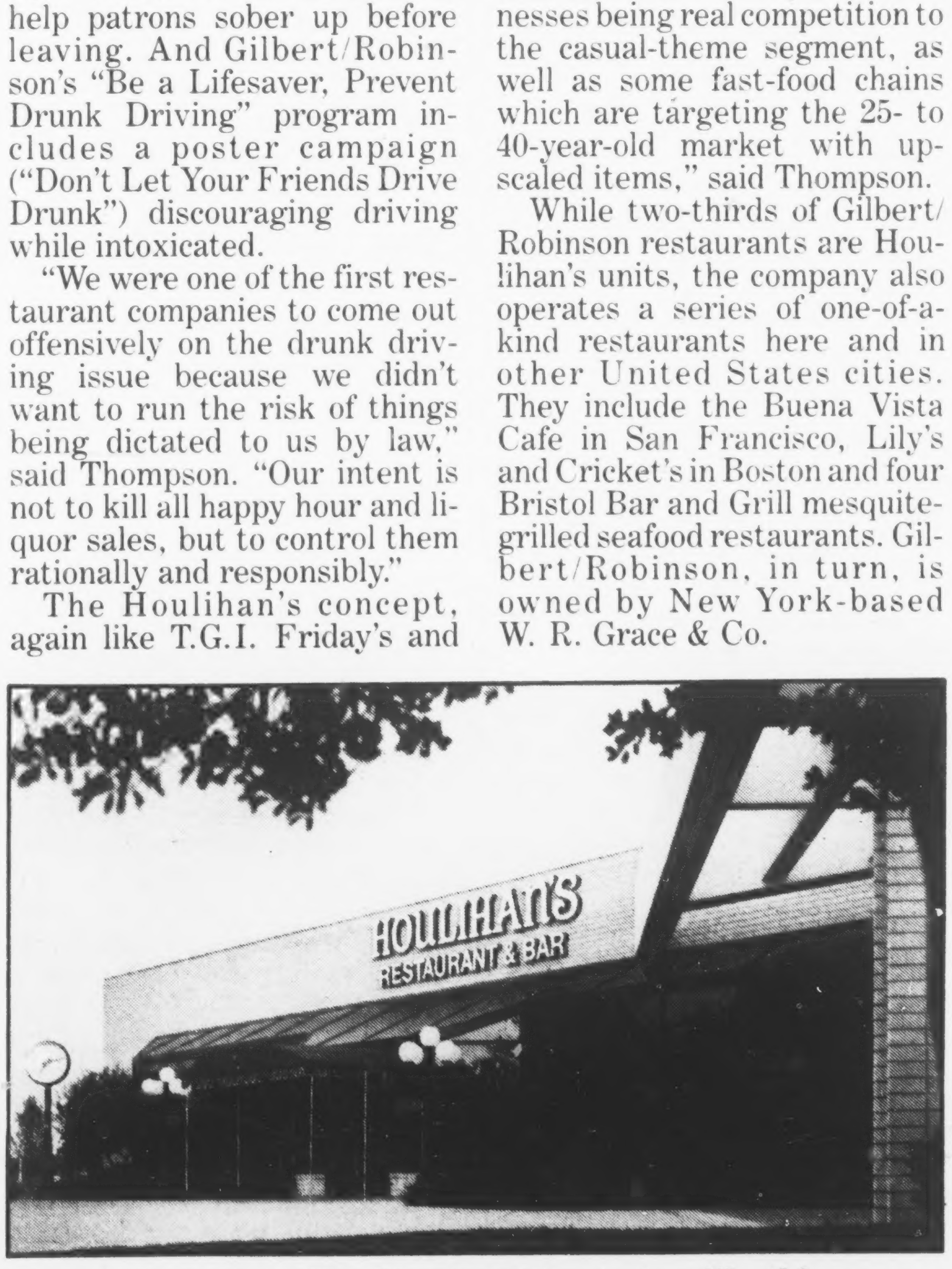
The chain provides coffee and hors d'ouevres at the door to help patrons sober up before leaving. And Gilbert/Robinson's "Be a Lifesaver, Prevent Drunk Driving" program includes a poster campaign ("Don't Let Your Friends Drive Drunk") discouraging driving while intoxicated.

"We were one of the first restaurant companies to come out offensively on the drunk driving issue because we didn't want to run the risk of things being dictated to us by law," said Thompson. "Our intent is not to kill all happy hour and liquor sales, but to control them rationally and responsibly."

The Houlihan's concept, again like T.G.I. Friday's and Bennigan's, is designed as a pub which serves food, not vice versa. The typical Houlihan's unit is full of mirrors, metal signs, posters and plants—all combined to create a relaxed, casual drinking environment. The eclectic interior decor package has remained intact since the first Houlihan's opened here in 1972.

The all company-owned chain will continue to open six to eight units a year, depending on economic and market conditions. "I see grocery stores, delicatessens and other carry-out businesses being real competition to the casual-theme segment, as well as some fast-food chains which are targeting the 25- to 40-year-old market with upscaled items," said Thompson.

While two-thirds of Gilbert/Robinson restaurants are Houlihan's units, the company also operates a series of one-of-a-kind restaurants here and in other United States cities. They include the Buena Vista Cafe in San Francisco, Lily's and Cricket's in Boston and four Bristol Bar and Grill mesquite-grilled seafood restaurants. Gilbert/Robinson, in turn, is owned by New York-based W. R. Grace & Co.



Casual-theme chain Houlihan's, with exteriors like this, are catering to the 25- to 40-year-old crowd.

FOCUS NRN

CHAIN ANALYSIS/PART 1: DINNERHOUSES

Aggressive expansion signals growth phase

EL TORITO

By Richard Martin

IRVINE, Calif. — Despite presumptions by some of impending market saturation among Mexican dinnerhouses, El Torito is raising its prices and citing a "tremendous unmet demand" for Mexican food in its planned strategy of nearly doubling the 130-unit chain over the next five years.

While continuing with menu innovations and upgrades, the 30-year-old company founded by current president Larry Cano intends to back-build throughout its 26-state territory, concentrating expansion in California, the northeast, and in the Florida and Chicago markets. Acquisition and conversion of existing restaurants should be El Torito's predominate method of growth.

Mindful of its principal Mexican dinnerhouse competition, Louisville, Ky.-based Chi-Chi's, El Torito targets from 20 to 25 new units each year through the end of the decade, at a current cost of about $1.5 million per unit, less land.

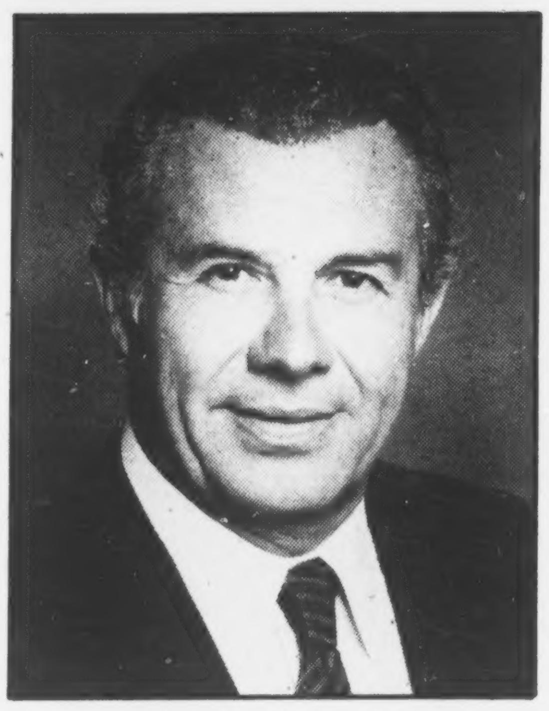
Among other competitors, company strategists are less concerned about the relatively static Casa Gallardo, Garcia's of Scottsdale, Acapulco and Casa Lupita chains. But despite slowdowns elsewhere, executive vice president and chief financial officer Martin Casey says the company sees a "huge, untapped market" as the basis for its growth objectives.

El Torito is a majority-owned subsidiary of W. R. Grace, which bought the then-24-unit chain in 1976 and took it public last January. Although the majority of its restaurants are called El Torito, the company also operates a variety of other full-serve/full-bar Mexican concepts, principally La Fiesta and Tequila Willie's.

For the first quarter ended March 31, the company reported net profit of $1.56 million on sales of $58.5 million—gains over last year's first quarter of 114% and 25%, respectively. The initial quarterly boost this year followed a 23% net profit gain to $7.75 million for all of 1983 on a 22% sales increase to $210.7 million.

During the process of preparing to go public, El Torito conducted analyses of its marketing and pricing policies which showed room for "aggressive" price increases. An average per-person check of $5.40 measured through last year's third quarter was deemed too low; a series of price hikes being implemented regionally so far this year should markedly boost annual sales, although implementation costs of expanded and revamped menus could mitigate these gains somewhat in terms of comparable margin increments.

El Torito officials have not disclosed the percentage scope of menu-price increases implemented this year to achieve a likewise undisclosed targeted check average. A reshuffling of menu items, including 25 new offerings on a new 30th anniversary menu, make year-to-year comparisons difficult.



Larry Cano
El Torito president

Among new items described by company officers as "very successful" is the $8.95 Sizzling Fajitas dish—a build-your-own-taco aggregation comprising a ½ lb. of marinated steak strips, with onions, bell peppers and tomatoes, served in a sizzling skillet with tortillas, guacamole and beans.

Other new dinner combos ($5 to $9.55) reportedly prompting many typical customers to "buy up" from old favorite dishes include enchilada salad; taco salad; chicken and avocado salad; empanadas; Cancun chimichangas (shrimp, crab and whitefish in a fried burrito for $7.25), and arroz con camarones (rice with shrimp) for $9.55.

Entirely new for El Torito is a line of four jumbo hamburgers priced from $4.45 to $5.45, including a tostada burger, a bacon and cheese burger, a Torito burger and a gringo burger.

While exploring possible additions of more chicken dishes, El Torito has begun to address the mesquite-wood grilling trend with installation of wood braziers in new units. Mesquite is already being used in at least six El Torito restaurants.

A report trend of declining alcoholic beverage consumption throughout the industry has left El Torito unaffected, company sources indicate. Approximately 45% of all sales reportedly come from bar items—a ratio unchanged form prior years.

EL TORITO

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$173.2	$210.7	$255.0
Net Profit (In Millions)	$6.3	$7.8	$8.9
Average Per-Person Check*		$5.40	
Number of Units	97	114	130

Source: *NRN* Research

**NRN* Estimate

Avoiding the enemy means staying ahead

CHI-CHI's

By Rick Telberg

LOUISVILLE, Ky. — While sidestepping head-to-head battles in enemy territory, Chi-Chi's remains one of the few Mexican dinnerhouse operations achieving national expansion.

The chain could grow to 190 units this year, up from 136 in April, and rack up systemwide sales approaching $500 million, up from $310 million.

Unless Chi-Chi's self-destructs, only El Torito poses a national threat. But the W. R. Grace & Co. subsidiary remains largely confined to California, unsupported by a franchise network, and still tinkering with its sales mix and check average.

Nevertheless, Chi-Chi's has shied away from California and Texas, which, in addition to El Torito, bristle with a host of smaller chains and home-grown independents.

Skirmishes between Chi-Chi's and El Torito could be looming, however, in Boston and Chicago.

Chi-Chi's bought back a three-unit Boston franchisee recently with plans to build six more units in The Hub. El Torito is converting restaurants it purchased from Howard Johnson in New England.

Chi-Chi's, however, has not vanquished every foe. Franchisee Kelly-Johnston, for example, made the mistake of building oversized stores in undersized towns and also opening two stores in St. Louis, where General Mills' Casa Gallardo has eight restaurants.

Oklahoma City-based Kelly-Johnston retreated from both fronts, making Consul Corp. of Minneapolis Chi-Chi's biggest franchisee with 36 stores.

After a number of buybacks in recent years, Chi-Chi's may have only seven franchisees left, and more buybacks are expected as the parent corporation matures.

Though it has a short track record, Chi-Chi's has spared itself the crippling errors made by many other chains, which at first seemed to have an equal chance at success.

Though Casa Gallardo held onto its hometown, development funds are now being siphoned off to Red Lobster, another General Mills holding in desperate need of a quick fix.

In addition, Casa Gallardo's initial menu was too authentically spicy for American tastes. Now, like Acapulco, Casa Gallardo is mainstreaming its product line to more closely resemble the Chi-Chi's formula.

Garcia's has been hamstrung by poor site selections. Pancho's Mexican Buffet, has a good hold on Dallas, but otherwise operates in a slightly lower-priced segment. Ponderosa's Casa Lupita is barely airborne. Diversifoods' Cisco's is fast disappearing. And Marriott's Casa Maria seems only a half-hearted effort.

Chi-Chi's has also resisted the temptation to boost bar sales beyond 35%, opting instead for a more stable family clientele. El Torito's bar business was 45% of sales last year, up from 35% in 1979.

After Kelly-Johnston, for example, flopped with standard 10,000-sq.-ft. restaurants in some markets, Chi-Chi's Inc. bared plans to begin building downsized 7,500-sq.-ft. stores.

One in-line unit has been open for years and only three to five may join the system this year, but the smaller units can go into smaller markets and fill-in existing ones.

Chi-Chi's Inc. finished fiscal 1984 with net profit of $16.7 million, an 84% gain over 1983, and revenue of $161.7 million, up 60%.

CHI-CHI'S

(Fiscal Year Ended April)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$183.2	$310.0	$496.0
Revenue (In Millions)	$97.6	$161.7	$258.7
Net Profit (In Millions)	$9.1	$16.7	$27.0
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$2.7	$2.6	$2.7
Average Per-Person Check*	$7.45	$7.65	$7.90
Number of Units	92	136	190
% Menu-Price Increase	3.0%	3.0%	3.0%

Source: *NRN* Research

**NRN* Estimate

Shaping up shops with mesquite and oyster bar overhaul

RED LOBSTER

By Rick Telberg

ORLANDO, Fla. — General Mills is pouring $104 million into its 370-unit Red Lobster seafood dinnerhouse chain in a two-year effort to overhaul the entire chain with a new menu, mesquite grills and an oyster bar.

But Red Lobster's gain may come at the expense of General Mills' other restaurant holdings.

The 34-unit Casa Gallardo Mexican dinnerhouse chain, for example, is reportedly scaling back growth plans by maybe half. York Steak Houses, which closed 30 ailing stores last year, may stagnate at about 130 outlets and be forced to seek real gains from operations and advertising. Thirty-two-unit Darryl's may be left to its own devices and 40-unit Good Earth, already half franchised, may find most of its growth in new licensed stores this year.

Yet if other chain makeovers are a guide, refurbished Red Lobsters could register 20% to 30% sales gains, boosting the current $2.2-million-a-year unit volumes to maybe $2.75 million. At a cost of maybe $250,000 per store, it appears well worth it.

The construction pace is feverish. Carpentry is done at night, supervised by the unit manager while another unit manager manages the store during the day. Morale, kindled in part by some of the highest salaries in the industry, is said to be high.

According to the construction schedule, some 40 stores may be under reconstruction at one time this summer. But Restaurant Group president Joe Lee reportedly runs a well-greased machine capable of quick deployment.

In some ways, however, Red Lobster is making up for lost time. Executives are the first to admit that they misdiagnosed recessionary sales softness as a cyclical rather than secular change in eating-out tastes.

The new format features an oyster bar, where, while diners wait, they can drink and watch an oyster-shucker in a more casual and lively environment than standard Red Lobster lounges.

Mesquite grills add a touch of flair to the dining room scene and act as powerful merchandisers.

The new menu is bigger, with more choice of entrees, portion sizes and price points. Linguini with a variety of sauces is available at about $7, less at lunch.

Typical checks, however, should remain unchanged: $8 to $10 at lunch and $10 to $12 at dinner.

RED LOBSTER

(Fiscal Year Ended May)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$715.0	$780.0	$890.0
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$2.10	$2.20	$2.40
Number of Units	360	367	370

Source: *NRN* Research

**NRN* Estimate

FOCUS NRN

CHAIN ANALYSIS/PART 1: FAMILY STEAKHOUSES

Family steakhouse chains have apparently recovered from the recession due in no small part to their clever repositioning with new decor packages and stepped-up marketing of nonbeef items including salads, seafood and chicken. Segment leaders report a jump in traffic.

Expansion beckons following chainwide repositioning

SIZZLER

LOS ANGELES — Repositioned as a moderately priced dinnerhouse chain specializing in steaks, seafood and salads, a rejuvenated Sizzler is embarking on its first significant expansion program in several years.

About three-dozen company-operated and franchised Sizzlers will open during the current fiscal year which began May 1, including the chain's first Manhattan unit—franchised by the powerful Riese Organization—and perhaps Sizzler's first unit in Australia.

The chain, which is 71% owned by Collins Foods International, the largest Kentucky Fried Chicken franchisee with 251 units is also developing Emma's Taco House. One unit is opened in Las Vegas and two others are planned in Los Angeles.

Hit hard between 1980-82 by rising beef prices, a recession that hurt its blue-collar customer base and consumer demands for nonbeef items, Sizzler moved out of the budget steakhouse segment by remodeling its restaurants and expanding its menus.

President-chief executive Tom Gregory reports that margins improved and customer traffic rose in fiscal 1983. Collins chairman-chief executive Jim Collins said that customer traffic in the first three months of 1984 rose 14% despite severe winter weather. "Sizzler's growth has been phenomenal," he added.

Net income in fiscal 1984 ended April 30 rose 37% to $7.9 million on a 10% revenue increase to $142 million. Systemwide sales at 451 Sizzler units jumped about 11% to $394 million. Average checks were up to $6.33 from $6.03 in fiscal 1983, and same store average sales at 139 company-operated units rose 8% to $961,200, vs. $875,000 systemwide.

These improvements were accomplished through repositioning and menu diversification, according to Collins president Richard Bermingham. Units were remodeled to include atriums, plants and a more upscale look and the once beef-dominated menu expanded to include lobster, shrimp, crab, salad bar, soup bar, barbecued ribs and chicken. The menu mix is now 45% beef, 35% seafood and 20% chicken.

Noting consumer demands for foods that are perceived to be lighter and healthier than red meat, Bermingham offered Collins' philosophy as explanation for improvements at Sizzler: "Make the customer happy and you're bound to make money."

The current year holds the key as to whether the repositioned Sizzler has staying power. Seeing the improvements from the systemwide remodeling and menu diversification programs, the chain plans to open 36 franchised and company restaurants this year, including the first of about 50 franchised units in New York City, where chain dinnerhouses are few and far between.

Collins, who founded the chain, said that lack of manpower has been the main reason unit expansion was low in 1982-83.

A poorly performing Sizzler in Las Vegas was converted to Emma's Taco House last year after Collins bought the rights and trade secrets to that independently owned California concept. Emma's is a moderate-priced Mexican dinnerhouse.

That first Emma's is not doing well, according to Bermingham, who places the blame for low sales on the poor location.

Collins Foods operates 251 KFC units in the Western United States and Australia and six food-service distribution centers. It has acquired 10 Josephina's Italian dinnerhouses and is developing Gino's East, a Chicago-based pizza concept, with Lettuce Entertain You. It is also developing a concept called Ed Debevic's, a 1950's-style coffee shop with large burgers, in a joint venture with Lettuce Entertain You and Big Four Restaurants of Phoenix.

SIZZLER

(Fiscal Year Ended April 30)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$354.0	$394.0	$450.0
Revenue (In Millions)	$128.0	$142.0	$156.0
Net Profit (In Millions)	$5.7	$7.9	
Average Same-Store Sales (Units open 12 mos. or more)**	$883,000	$961,000	$1,000
Average Per-Person Check*	$6.03	$6.33	$6.50
Number of Units	440	451	487
% Menu-Price Increase	3.0%	3.0%	3.0%

Source: NRN *Research*

*NRN *Estimate*

***Average same-store sales are for company-operated Sizzlers. The systemwide is estimated at about $875,000 in fiscal 1984 ended April 30, up about 9% over year-earlier results.*

Unit remodeling, Freshtastiks 'push' are twin aims

BONANZA

By Ken Frydman

DALLAS — Bonanza's evolution from a Western motif budget steakhouse chain to a more upscale, full-service family dining operation is nearly complete.

USA Cafes, the multiconcept franchisor of 500-plus Bonanza units in the United States, has physically remodeled one-third of the chain's units at a cost of $60,000 per unit.

The interior and exterior changes give Bonanza stores a "lighter, brighter and more contemporary" look and feel, complementing a new menu design featuring chicken and fish entrees, an expanded breakfast program and the 60-item Freshtastiks food bar.

Freshtastiks, a lineup of vegetables, soups and salads, is intended to lessen the chain's dependence on red meat items and attract a broader cross-section of the dining-out public. The strategy is apparently working: More than 35% of Bonanza sales are nonred meat items, which has lowered the chain's food costs and helped attract more white-collar customers, especially women.

Bonanza's average per unit sales have increased more than 23% since fiscal 1982, from $596,000 to $734,000 projected for fiscal 1984, ending Sept. 30. Average per-person checks are up from $4.10 to $4.75; systemwide net profit has nearly doubled, from $1.2 million to $2.3 million, and systemwide sales have jumped 9.65% to $386 million.

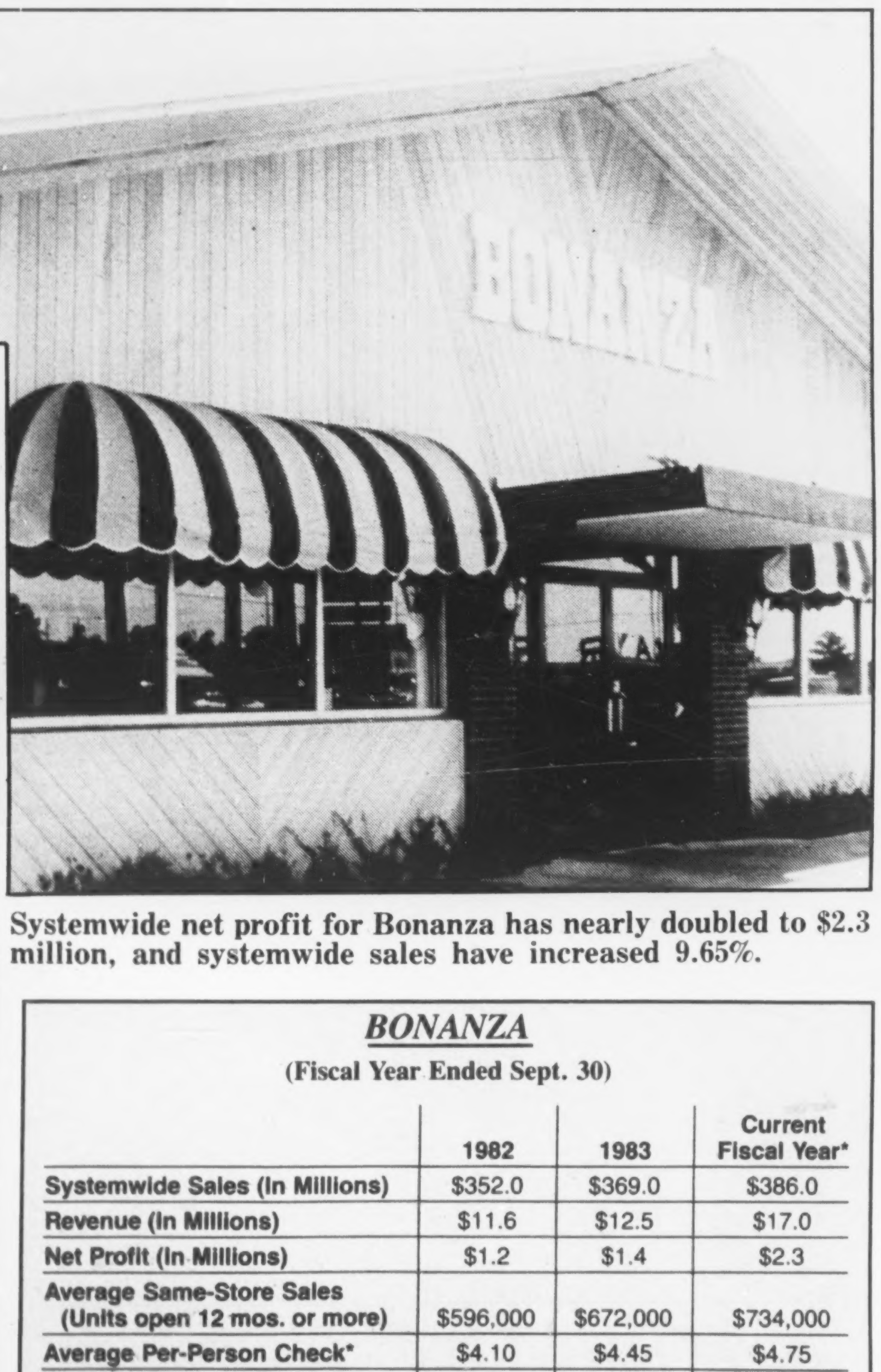
Along the way, the percentage menu price increase has risen 5% to 8% a year as new chicken and seafood items, as well as upgraded steak dishes, have been introduced throughout the system. The systemwide Freshtastiks program now accounts for 21% of the total product mix as an individual item, priced from $2.69 to $3.29 at Bonanza units throughout the country.

"Our goal for the next year is to finish up the chain remodeling program and further enhance the Freshtastiks theme and image," said Tim Shaw, USA Cafe's national advertising manager. USA Cafes plans to combine the remodeling program, new product introductions, and the Freshtastiks concept under one national promotion and advertising umbrella, added Shaw.

With chairman Sam Wyly again failing to take Bonanza private, the company will continue expanding at a rate of 50 to 70 new units per year, all through franchising. USA Cafes currently owns and operates only eight Bonanza units, utilizing them as training facilities.

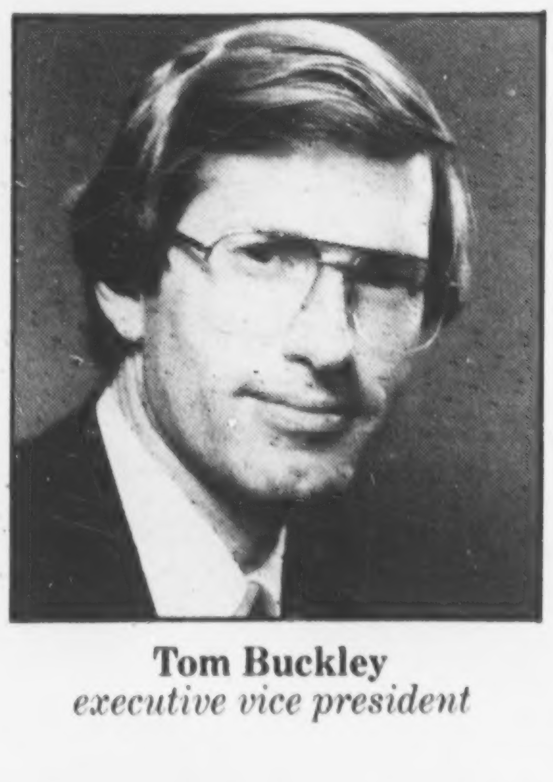
While Bonanza International has become a real estate company and franchisor of the 22 Bonanzas in Canada, USA Cafes is franchising several concepts besides Bonanza. Last year it acquired rights to Primo, a diversified food-service concept, and more recently, franchising rights to 36% of Shakey's Inc. stock, for $2.5 million.

The Shakey's agreement provides for mutual franchising of both the 355-unit pizza chain and Bonanza concepts, and gives USA Cafes area development rights in six key territories. Shakey's franchisees also have the opportunity to franchise the Primo concept.



Systemwide net profit for Bonanza has nearly doubled to $2.3 million, and systemwide sales have increased 9.65%.

Jeff Rogers
president-ceo



Tom Buckley
executive vice president

BONANZA

(Fiscal Year Ended Sept. 30)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$352.0	$369.0	$386.0
Revenue (In Millions)	$11.6	$12.5	$17.0
Net Profit (In Millions)	$1.2	$1.4	$2.3
Average Same-Store Sales (Units open 12 mos. or more)	$596,000	$672,000	$734,000
Average Per-Person Check*	$4.10	$4.45	$4.75
Number of Units	566	541	532
% Menu-Price Increase	5%-8%	5%-8%	5%-8%

Source: *NRN* Research

**NRN* Estimate

CHAIN ANALYSIS/PART 1: FAMILY STEAKHOUSES

Lighter design and menu mix aim for family market

PONDEROSA

By Ken Frydman

DAYTON, Ohio — Keeping pace in its segment's metamorphosis from budget steakhouse operators to full-service family restaurants, the 670-plus unit Ponderosa chain has been lightening its menu mix and brightening its building design.

The $200,000 per-unit remodeling program began with a single test unit in Englewood, Ohio, and will continue systemwide over the next four years. Modern touches like copper metal awnings will trim the exterior and white stucco will grace the interior.

Glass fronts, a light wood color scheme and plants will also be added to modernize the units' appearance and create atmosphere more appropriate for family restaurants than western-style steakhouses.

Complementing the physical redesign package is the "World's Biggest, Best Salad Buffet," a 50-item, all-you-can-eat salad bar and a breakfast buffet, complete with scrambled eggs, waffles, and gravy and biscuits. The salad buffet is now available in every Ponderosa location throughout its 26 state base of operations and the breakfast buffet has been rolled out to 400 stores.

Ponderosa's Mexican dinnerhouse concept, the 16-unit, regionally based Casa Lupita, is also extending it menu with breakfast and lunch buffets in selected units and converting many of its lounges to independent freestanding "saludos" bar concepts with separate outside entrances.

"We're making definitive changes in our concepts by substituting greater value for discounting and by changing our sales mix," said Donald R. Jackson, Ponderosa's executive vice president and chief financial officer.

Since the menu emphasis began its redirection six months ago, the red meat sales mix has dropped from 50% to 35%, according to Jackson. Ponderosa units have experienced a 30% increase in average per-unit sales to an anticipated $1 million during fiscal 1985. Meanwhile, the average per-person check has jumped from $4.12 to $4.57.

"The remodeling will give us an additional 15% boost in sales and I anticipate customer counts and sales figures continuing to increase," said Jackson. Ponderosa reported a 50% net profit gain, to $4.4 million, and a 21% revenue jump, to $121.4 million, for its first quarter ended May 17, compared to the same period last year. Four hundred forty-one Ponderosa units are company owned and operated and 230 franchised to others.

Ponderosa's major menu and decor adjustments come on the heels of a preferred public stock offerings of 1½ million shares, grossing the company $30.2 million and reducing its debt-to equity-ratio to 0.27 to 1, the lowest in many years.

The stock offering has allowed Ponderosa to pay off $22 million in long-term debt and negotiate a $60 million line of revolving credit. "We've got a very strong financial structure now and the resources to expand and enlarge the restaurants ourselves," said Jackson.

The public stock issue and $60 million credit line strongly suggest that Ponderosa is planning to go private, possibly through a management takeover buyout. Jackson would neither confirm nor deny that suspicion.

PONDEROSA

(Fiscal Year Ended Feb. 28)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$554.4	$596.0	$650.0
Revenue (In Millions)	$385.1	$429.1	$441.0
Net Profit (In Millions)	$10.4	$12.1	
Average Same-Store Sales (Units open 12 mos. or more)	$770,000	$857,000	$920,000
Average Per-Person Check*	$3.82	$4.12	$4.57
Number of Units	691	664	706

Source: *NRN* Research

**NRN* Estimate

PONDEROSA
PONDEROSA STEAKHOUSE

Donald Jackson, Ponderosa's executive vice pres, figures remodeling will add 15% in sales.

Menu additions signal move into white-collar market

GOLDEN CORRAL

RALEIGH, N.C. — Golden Corral is recasting its image as a family steakhouse chain by modernizing its interior and exterior building design and adding to its red meat-dominated menu mix with chicken and seafood entrees.

In an effort to capture a new white-collar customer base, Golden Corral, owned by holding company Investors Management Corp., is supplementing its basic meat-and-potatoes menu by rolling out filet of chicken breast platters ($3.89), steak and chicken combinations, stuffed baked potatoes, and an upgraded salad bar.

Building designs now include solariums, higher rooflines and the "lighter, brighter" contemporary look of the 1980's, quickly becoming common in the budget steakhouse segment.

While the new chicken breast entree is in only 20% of Golden Corral's 300-plus units, and only six existing units have been redesigned so far, both the menu additions and decor package will systematically be implemented chainwide at limited increased costs to Golden Corral Corp., according to president Theodore Fowler.

It remains to be seen whether Golden Corral's reputation as a beef-oriented budget steakhouse chain changes because of the strategy. Historically, 80% of the chain's sales have come from red beef items, Fowler said.

When all the dust has settled, Fowler predicts a banner financial year for the all company-owned chain. "I see fiscal 1984 being our 12th straight year for increased sales, profits and number of units opened. In 1979, we had 106 restaurants opened and did $51 million in gross sales. We've virtually tripled both figures in five years."

Golden Corral net profit has also continued to rise, from $17 million in fiscal 1982 to in excess of $20 million in fiscal 1984. With an average per-person check of approximately $4.70, Golden Corral is still priced competitively with other budget steakhouse operators.

Golden Corral has carved out a 30-state niche, with most stores open in small Southern towns. "We've also got units open as far north as Pennsylvania and far west as Utah, Arizona, Wyoming, Nevada and California. But our concentration in the Pacific Northwest is very light," Fowler said.

Fowler credits much of Golden Corral's continued financial and physical growth to its partner/manager program. Managers, most of whom are natives of the towns in which their restaurants are located, invest in the company with financial help from Golden Corral Corp., earning a base salary plus 20% of profits.

GOLDEN CORRAL

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$133.0	$172.0	$205.0
Net Profit (In Millions)	$17.0	$20.0	
Average Same-Store Sales (Units open 12 mos. or more)	$674,000	$705,000	
Average Per-Person Check*	$4.49	$4.62	
Number of Units	226	286	300

Source: *NRN* Research

**NRN* Estimate

GOLDEN CORRAL.

Most of the more-than 300 units Golden Corral operates can be found in small towns across 30 states.

FOCUS NRN

CHAIN ANALYSIS/PART 1: DOUGHNUTS & ICE CREAM

At least one major ice cream chain reconciles apparent conflicts between growing consumer demand for high butterfat ice cream and the parallel trend toward 'lighter' and 'healthier' foods by rolling out a low-calorie froxen dessert to augment its regular ice cream menu.

New baked goods line, marketing moves fuel growth

DUNKIN' DONUTS

RANDOLPH, Mass. — Determined to be the dominant retail bakery/coffee shop chain in every market they enter, Dunkin' Donuts has fashioned a unique marketing strategy that will see a further expansion of the 1,250-unit chain's product line and the opening of a second franchisee-owned warehouse facility to service its substantial markets in the Southeast.

With marketing responsibilities now divided along product lines, it is the company's bakery-products division that will be most active in the near future as the chain steps up its assault on the growing competition from supermarkets with in-store bakeries.

A breakfast biscuit, developed by the bakery products division and rolled out in the South last year, has been expanded to stores on the West Coast and is currently being tested in the Northeast and Central states for near-term rollout.

But the biscuits, which have substantially increased sit-down breakfast business, are only the tip of the iceberg, according to chairman and ceo Robert Rosenberg.

"Bakery products are definitely the fastest-growing market for us," said Rosenberg who took over as chairman last August after serving 20 years as president and ceo. "There's a very high demand for nonfried foods and our new line of baked goods will fill that gap." Rosenberg, however, declined to reveal any specific products although he said several are currently backed up in test.

Meanwhile, an intensive unit remodeling program designed to spruce up the chain's image continues apace. Approximately 65% of all Dunkin' Donuts stores now carry the new look (some are newer stores and others remodeled). The remodeling program will include about 60 stores per year, according to Rosenberg, at a cost of about $50,000 per unit.

Remodeled stores, Rosenberg said, have shown a sales improvement of about 8% in the first year, nearly 60% better than the overall average store gain chainwide which has been running at about 5%.

A key factor in the chain's continued sales growth has been its stepped-up national advertising campaign which has gained growing support among franchisees. While contractual obligations call for a contribution of 4% of gross store sales for advertising, some 80% of the chain's franchisees are now kicking in 5% and about 100 store owners have upped their contribution to 6%. Dunkin' Donuts plans to spend about $100 million in advertising over the next five years.

Growing franchisee unity has also contributed to the success of the chain's new franchisee-owned warehouse facility in Westboro, Mass., which has turned a profit in its first full year of operation, according to Rosenberg.

The warehouse concept, which enables store owners to carry a more complete product line while saving substantial procurement dollars, will be duplicated in the Southeast.

Dunkin' Donuts plans to add slightly more than 100 new units during the current fiscal year with about 1 in 5 outside North America. While the majority of new construction will take place in the chain's already established markets, Rosenberg indicated that Dunkin' Donuts will be entering the Midwest in much greater force.

DUNKIN' DONUTS

(Fiscal Year Ended Oct. 29)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$434.7	$475.8	$518.8
Revenue (In Millions)	$75.8	$81.6	$89.1
Net Profit (In Millions)	$6.7	$7.9	$9.3
Average Same-Store Sales (Units open 12 mos. or more)	$375,000	$391,600	$406,400
Number of Units	1,173	1,250	1,350

Source: NRN *Research*

*NRN *Estimate*

Unified approach readies major metropolitan move

DAIRY QUEEN

MINNEAPOLIS — In its continuing struggle to get in step with the modern food-service industry, Dairy Queen is preparing to take a giant stride forward by opening the door to a number of major metropolitan markets. In doing so, the 45-year-old company will be offering new franchising opportunities for the first time in nearly 15 years.

Comprised primarily of territorial licensees, many of whom predate current management, the loosely knit system is gradually being shaped into a unified chain under a single marketing plan.

With some 95% of the units—most based in rural towns and small cities—now displaying the same signage and about 75% adhering to a chainwide menu philosophy, the company has developed what may be a strong enough image to compete in and around major cities.

"In the past, we had suspended all major metropolitan development to concentrate on smaller communities," said president and ceo Harris Cooper. "We now feel, because of the success of our marketing plan, that a franchisee can come into an urban market and make a reasonable return on his investment."

Over the next few years, Cooper said, Dairy Queen will be looking to develop territories in Chicago, Los Angeles, San Antonio, San Francisco, Detroit, Miami, Tampa and Orlando.

With a chainwide marketing budget of $24 million, Dairy Queen is gradually developing a unified food program that includes a host of new products designed to upgrade the chain's image.

A new homestyle hamburger which "looks and cooks like homemade" has tested successfully in four markets, Cooper said, and could greatly improve Dairy Queen's hot food sales as the chain prepares for a slow rollout.

Meanwhile, a hard ice cream product—Queen's Choice—which was rolled out in 700 of the chain's 4,800 stores last year is now in close to 1,500 units and the product will be available in over 2,000 Dairy Queen stores by the end of next year.

Another development has been the introduction of ice cream cakes and logs at Dairy Queen mall units.

"Our franchisees are working together better each year," said Cooper. "Many are beginning to realize that our unified marketing program represents new opportunities for everyone. Slowly but surely we are becoming a modern chain.

DAIRY QUEEN

(Fiscal Year Ended Nov. 30)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Billions)	$1.2	$1.3	$1.4
Revenue (In Millions)	$99.3	$116.7	$128.4
Net Profit (In Millions)	$6.2	$7.2	$8.1
Average Same-Store Sales (Units open 12 mos. or more)	$252,000	$270,000	$279,000
Number of Units	4,754	4,747	4,927
% Menu-Price Increase	3.0%	5.0%	

Source: *NRN* Research

**NRN* Estimate

'Special Diet' focuses on weightscale, not upscale

BASKIN ROBBINS

GLENDALE, Calif. — In a move to capture a share of the largely untapped light dessert market, Baskin-Robbins is rolling out a low-fat frozen dairy dessert, Special Diet.

During the past few years, the 2,935-unit chain has been finding it impossible to match the growth rates of super-premium ice cream chains like Häagen Dazs, Sedutto and Frusen Gladje.

Now it appears that Baskin-Robbins is leaving the "upscale" ice-cream market to its more energetic competition, choosing instead to court the diet- and health-conscious segment of the population—women between the ages of 18 and 49, and children—long recognized as the heart of the chain's market.

Currently available in stores in 33 states, Special Diet is mostly being promoted in-store as containing little fat and cholesterol and moderately low sodium. It is offered in three flavors—mountain coffee, sunny orange and wild strawberry—and may be served in a cup or a cone.

A spokesman for the company says that Baskin-Robbins hopes to roll out the product chainwide by the end of the year or in early 1985.

In another move, 12-year president Robert J. Hudecek moved up to the post of chairman while still retaining his title as chief executive. He was replaced as president by Ronald B. Marley, who also took the title of chief operating officer.

A wholly owned subsidiary of London-based Allied-Lyons North America Corp., Baskin-Robbins expects to open approximately 200 more franchised stores around the world in 1984. To remain sensitive to its highly diversified group of franchisees, the company is planning to allow a larger degree of regional and individual decision-making in ice cream and product selection—currently, each franchisee must offer 34 corporately chosen flavors each month.

A possible redesign of the traditional Baksin-Robbins store is also being contemplated.

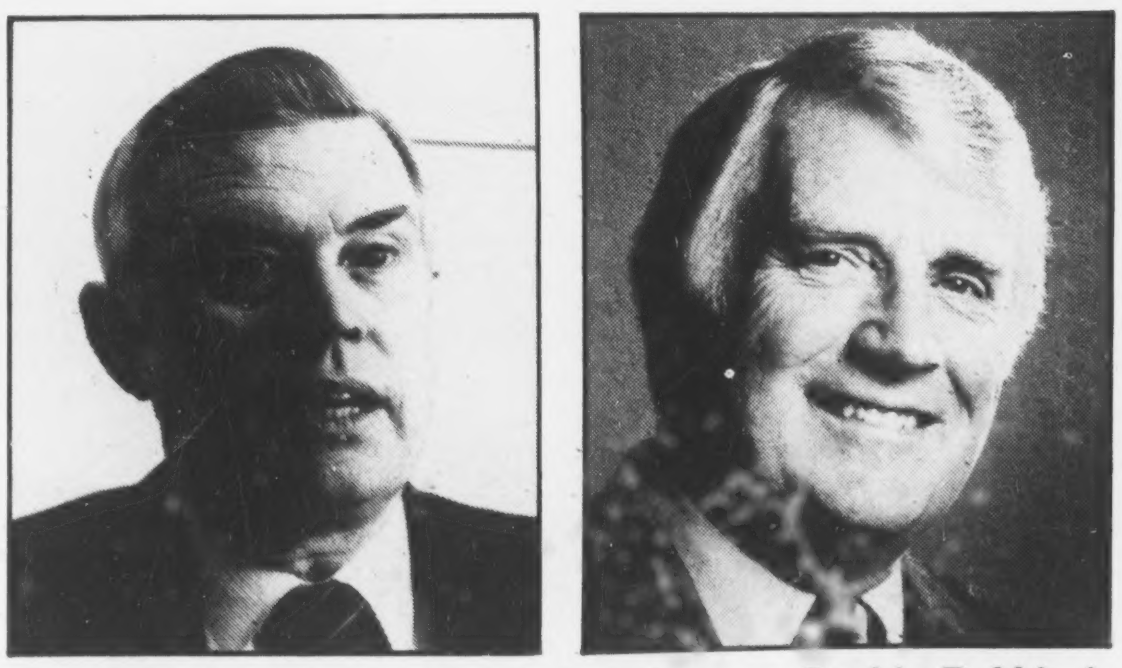
BASKIN-ROBBINS

(Fiscal Year Ended Jan. 1)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$423.0	$455.0	$495.0
Average Same-Store Sales (Units open 12 mos. or more)	$156,500	$158,000	$158,000
Average Per-Person Check*	$1.00	$1.01	$1.03
Number of Units	2,625	2,935	3,135
% Menu-Price Increase		1.0%	5.0%

Source: *NRN* Research

**NRN* Estimate



Robert Hudecek (above, right) has taken over Baskin-Robbins' chairmanship, while Ronald Marley (left) moved into the company's presidency.

FOCUS NRN

CHAIN ANALYSIS/PART 1: HOTELS

Food service plays an even greater role in the sales mix at major hotel chains while food and beverage directors cook up new menus with 'healthy' and 'lighter' foods. A leading hotelier, meanwhile, decides the days of several restaurants in one hotel may be numbered.

Individual concepts working well for growing chain

HYATT

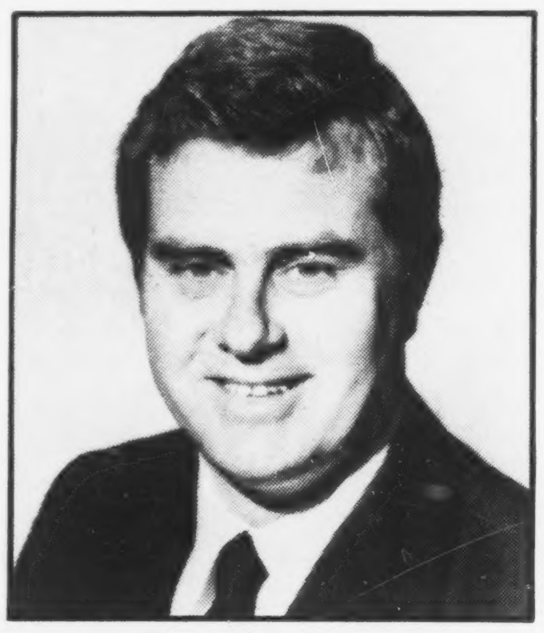
By Susan Spedalle

CHICAGO — Hyatt Hotels is experimenting with less formal and lighter menu restaurant concepts and the possibility of a single, all-purpose restaurant in its hotels.

Long committed to creating individual concepts for new locations, Hyatt food and beverage vice president James Howard will continue to develop teams of employees who plan and open new restaurants each year. Over the past year the company has opened eight new properties, bringing the total number of Hyatt Hotels to 75. Three to five additional properties will open in 1985.

All new hotels are now called Hyatt Regencys, although there is no difference between a Hyatt Hotel or Hyatt Regency food and beverage outlet. The name Regency, according to Howard, will be used because it connotes quality in the mind of the consumer.

The eight new Hyatt Regency Hotels are located in Long Beach and Oakland, Calif.; Princeton, N.J.; Columbus and Cincinnati, Ohio; Grand Cypress in Orlando, Fla., and Buffalo, N.Y.


Jim Howard

New food and beverage facilities range from the deluxe assortment found at the Grand Cypress (all-purpose restaurant, French seafood concept and fish/steakhouse) to the informal fine dining concept in Cincinnati which fulfills the need for a high end restaurant but leaves behind the formality of jacket and tie.

Merchandising in the unit is one of Hyatt's continuing concerns, says Howard. At the Grand Cypress the use of an exhibition kitchen and fresh fish displayed in the restaurant "send out a message of quality and freshness."

The restaurant sits apart from the resort complex on a promontory overlooking a pool and the grounds. The decor is a turn of the century Key West style with spinning ceiling fans and plenty of wood and wicker. When a customer orders a 2-lb. lobster the waiter—in a nontraditional method of merchandising—stands on his or her head.

As in the case of the Grand Cypress, Hyatt executives take into account the surrounding operations before they open a new hotel restaurant. More and more frequently they find themselves conferring with the food and beverage manager of an existing Hyatt. In Washington, D.C., for instance, a project which will add a second Hyatt Regency to the area is under consideration. Washington, D.C., is one of a handful of markets in which Hyatt would like to increase their profile, accoridng to Howard.

The strength of competition in many markets has led Hyatt to experiment with different dining styles in their hotels. In Cincinnati where Howard says he found many good restaurants, the company rejected the idea of the formal type of high end restaurant found in most hotels. Instead they created a concept called Champs.

Tying into the local sports enthusiasm, the 160 seat Champs is a light wood and brass unit offering a fresh fish or red meat dinner with an average check in the low $20 range. The key to the concept, says Howard, is a moderate check, good service and a full wine list. It does not take three hours to complete a meal, he says, and the atmosphere is fun, not heavy.

Lightness in menu follows lightness in concept and that is Hyatt's aim with a new, all-purpose restaurant which will replace coffee shops in some locations and act as the sole restaurant in small hotels.

With a 300-400 room hotel, says Howard, one all-purpose restaurant may be all that is necessary.

The all-purpose restaurant offers wine by the glass, a menu consisting of more than grilled and fried items and can be subtly changed for dinner business with the use of small decor changes, such as low lighting.

(Continued on page 136)

HYATT HOTELS

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year
Systemwide Sales (In Millions)	$150.0	$180.0	$187.5
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$2.80	$2.90	$2.90
Number of Units	62	72	75

Source: *NRN* Research

Family to business traveler switch causes intense focus on Plaza Hotel

HOJO

NORTH QUINCY, Mass. — As Howard Johnson plunges ahead with its multitiered program to turn its lodging market from the family to the business traveler, attention is increasingly focusing on the new full-service Plaza Hotel concept.

But despite its visibility, Plaza Hotel's potential may be tough to realize as the company runs into a continuing series of capital requirement hurdles.

Present strategy to exploit the Plaza Hotel idea concentrates on acquiring others' hotel properties for conversion, and some ground-up conversion.

Review of the 500 motor lodges in the HoJo system has led to the conclusion that only a handful are right for the Plaza Hotel concept.

The lodges, meanwhile, are getting their own facelift. Last year, $11 million went into the revamp program for the lodges with special attention going to new concierge floors for the commercial traveler.

The new Plaza Hotels each have their own restaurant concept. Plazas are currently open in Washington D.C. and at J.F.K. airport in New York with average room rates of $55 to $65 a night.

> ***'The new Plaza Hotels are currently open in Washington, D.C. and at J.F.K. airport in New York with average room rates of $55 to $65 a night. Each Plaza hotel will include a full-service "first-class" restaurant.'***

Each Plaza Hotel will include a full-service "first class" restaurant, primarily designed to meet the needs of the hotel guest.

Manuel Ferris
president, hotels

G. Michael Hostage
Howard Johnson's president

The "first class" restaurant, according to president Manny Ferris, is not a coffee shop, nor a fine dining outlet, but a large restaurant with a menu of "balanced cuisine," without the typical European sauces.

The menu from Mickey Cooper's, the 150-seat mauve and rose trilevel restaurant in the Washington hotel, includes a menu of soups, pastas, salads and fish, steak and chicken entrees. Old favorites such as roast prime rib of beef ($12.95) and filet mignon ($14.95) are included, with more novel dishes such as Crabtastic ($9.20) a salad of crabmeat, asparagus, tomatoes and pasta shells.

Managers and chefs for the restaurants are coming from within the Howard Johnson's chain: One chef ran a Red Coach Grill, a concept of which the company divested itself last year.

Banquet space in the new hotels will vary according to the market, but Ferris expects a large part of revenue to come from the average 9,000 sq. ft. to 12,000 sq. ft. set aside for banquet sales.

At the J.F.K. airport Plaza two rooms had to be converted to banquet space to meet the business expected there. The food-service facilities have a broad market, picking up businesses from local airport employees and Queens County residents as well as the numerour international travelers.

Advertising for the Plaza concept will be strong until mid-1985, when more of the hotels are built. Local promotion is being done now in markets where the hotels open up.

Food and beverage gains helped by occupancy rate

HILTON

BEVERLY HILLS, Calif. — While emphasizing a leadership role in food-quality improvement and menu development, Hilton Hotels is enjoying increased food and beverage sales on the coattails of room-occupancy gains derived from a generally improved economy.

But while average restaurant and room service checks are up slightly from last year, escalating labor and food costs have kept margins relatively flat. On the plus side, occupancy rates in 1984 have risen several points from last year's overall 64% average, and food cost inflation has begun to stabilize.

Food and beverage sales in the 54 Hilton hotels and hotel-casinos either owned outright, managed or run by the corporation as joint ventures are expected to total more than $420 million this year—nearly one-third of Hilton's total sales of more than $1.3 billion, which does not include sales in 200-odd smaller franchised Hilton hotels. (Total corporate revenue from only wholly company-owned properties last year was $669.9 million, yielding net profit of $112.6 million.)

Hilton will be trying to maintain an approximate 21% profit margin on food and beverage sales, partly with selected

(Continued on page 136)

HILTON HOTELS CORP.

(Fiscal Year Ended Dec. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)**	$662.0	$717.0	$750.0
Revenue (In Millions)	$377.0	$407.0	$425.0
Operating Profit (In Millions)**	$87.1	$89.9	$89.7
Average Per-Person Check*	$9.98	$10.35	$10.70
Number of Hotels	238	246	266
% Menu-Price Increase	3.5%	3.5%	3.5%

Source: *NRN* Research

**NRN* Estimate

**Food and beverage sales and revenues only. Operating profit is for corporate food and beverage revenue only.

CHAIN ANALYSIS/PART 1: CAFETERIAS

One major cafeteria chain, recognizing the geographical limits of the segment, steps up its development of seafood dinnerhouses and casual theme restaurants while a Texas-based cafeteria chain, recovering from the recession, eyes expansion into the West.

MORRISON'S CAFETERIA
OPEN SERVING 11TO 8
ORRISONS

Morrison Cafeterias, like the one above, are only the tip of the iceberg.

Modest construction considered after fighting flat traffic counts

MORRISON

MOBILE, Ala. — After battling flat traffic counts last year, Morrison appears poised to resume a modest construction program. But it remains clear that the company's future lies outside its core cafeteria business.

The nation's biggest operator of public cafeterias plans to build 10 to 12 new units this year, while closing or converting one or two. There were 153 Morrison's June 2 when the company closed its books on fiscal 1984. The year before, there were 151.

But much of Morrison's record capital spending budget of $36 million this year will be poured into building eight new Ruby Tuesday pub-restaurants, adding to a base of 29. And four new L&N Seafood Grills—renamed from L&N Fish Markets—will join the pair now open.

Besides seemingly topped-out traffic counts and heavy investment costs, there is another reason for Morrison executives' restlessness with cafeterias: Cafeterias post sales of $175 per square foot, but Ruby Tuesday does $270 per square foot in half the space.

E. E. Bishop
president and ceo

With the long-awaited sale of the company's insurance subsidiary and a 500,000-share buyback drive, Morrison seems to be girding to acquire another small restaurant chain it can nurture in the Southeast. Its shopping budget is between $12 million and $20 million.

Because Morrison cafeterias remain eminently profitable at the unit level, the company enjoys the luxury of time. Morrison can withstand slow-growing sales while boosting profits through unit expansion.

Unit-level management, meanwhile, is being beefed up. A hundred new junior managers have been trained and deployed in the past year.

The marketing offensive Morrison launched last year against fast feeders and dinnerhouses continues today with seafood specials, later hours and a line of generic ads touting quality at a relatively low price. Average per-tray checks are up about 8% year-to-year to $4.14.

Food-service management contracts are becoming a growing part of the Morrison picture.

With more than 300 clients last year, the company grossed maybe $123 million. The revenue is nicely protected from inflation due to escalator clauses and does not tie up capital.

So-called "life care," which combines retirement communities with nursing homes, offer Morrison some sizable opportunities.

Morrison finished fiscal 1984 with $20.5 million net profit, a 10% increase over 1983, on revenue of $471 million, a 12% gain.

With a modest 12% gain in revenue this year to $525 million, Morrison could leverage a 17% earnings jump to $24 million. Meanwhile, Morrison is hunting for the right acquisition at the right price.

MORRISON CAFETERIAS

(Fiscal Year Ended May)

	1982*	1983*	Current Fiscal Year*
Systemwide Sales (In Millions)	$242.0	$261.0	$295.0
Operating profit (In Millions)	$25.0	$27.0	$31.0
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$1.65	$1.75	$185.00
Average Per-Person Check*	$394.00	$414.00	$4.35
Number of Units	151	153	164
% Menu-Price Increase	8.0%	8.0%	5.0%

Source: *NRN* Research

**NRN* Estimate

Tracking customer trends part of Hilton's strategy

(Continued from page 133)

menu-price increases targeted to particular commodities whose costs have risen. No across-the-board menu-price increases are planned.

Taste trends perceived by food and beverage vice president Joseph Gardiner and staff continue to be reflected on Hilton menus in the presence of more fresh fish and white meat dishes. Moreover, a generally greater commitment to fresher, more "healthy" foods has led to specification for more frequent deliveries and, thus, more costly food handling—balanced out somewhat by programs reportedly inducing higher productivity among culinary workers.

> ***'Taste trends perceived by food and beverage vice president Joseph Gardiner and staff continue to be reflected on Hilton menus in the presence of more fresh fish and white meat dishes.'***

Joseph Gardiner
vp, food and beverage

Health and fitness concerns of some consumers have been answered by Hilton's "fitness first" menu specialization, indicative of a market niche the company helped pioneer in 1980.

Special sections on the menus of Hilton all-day coffee shops feature calorie-content notations, plus data on sodium and sugar content of certain foods. "Fitness first" menus feature reduced calorie entrees, including Mexican foods, accompanied by fresh fruits and vegetables, and such options as fresh-brewed decaf coffee and margarine instead of butter.

Although the "healthy" food options are prominently merchandised only in the coffee shops, they are also available on request in Hilton white-tablecloth restaurants and from room service. Health and fitness items now account for about 7% of food and beverage sales.

Following suit, Marriott and Stouffer hotels have also developed health menus.

Traditionally touted as promoting good health, breakfast is reportedly continuing to benefit Hilton's daytime volumes as a growing number of business people are getting in the habit of arranging breakfast meetings in Hilton restaurants.

Other customer preferences are reflected in beverage trends Hilton continues to address, including more widespread availability of varietal wines by the glass and more refinement and variety in specialty cocktails and after dinner cordials.

Hilton ended last year with a total of 41,950 rooms in 52 hotels; the system also included another 46,914 rooms in 194 franchised hotels. By the end of next year, the company expects an additional 14,000 rooms will have been added in both company and franchised properties.

The company breaks into the Atlantic City gaming market next May with a 610-room, $270 million hotel-casino there. Hotel-casinos helped lead Hilton's 35% surge in net profit last year.

Hyatt goes with lighter menu items

(Continued from page 133)

> ***According to vice president Jim Howard, the increase in competition for senior managers has made it tough to keep food and beverage directors. The competition has affected catering directors and executive chefs, also. People just entering the market aren't willing to accept the long hours.***

The flexible menu at an all-purpose restaurant might include steak, chicken, salads and a few oriental dishes. In addition, the hotel will offer a Perfect Balance menu, with entrees under 600 calories. The nutritional menu is also available at breakfast with reduced cholesterol items.

From a builder's point of view, fewer restaurants can mean lower start-up costs, but the new concept has also increased sales of dinner at the hotel; the older coffee shop concept was not attractive.

Howard expects the coming year's challenges to include effective ways of dealing with the new drunk driving laws and making sure senior managers take time off from their jobs.

The liquor patterns of consumers have changed so radically in the past few years, according to Howard, that hotel restaurants are now trying to stay ahead of the trends. How to renew interest in the brown liquors and balance the consumer's insatiable desire for light wines is a challenge all food and beverage operations face, he says. But at the same time, hotels must take a responsible position and be aware of the social implication of merchandising liquor.

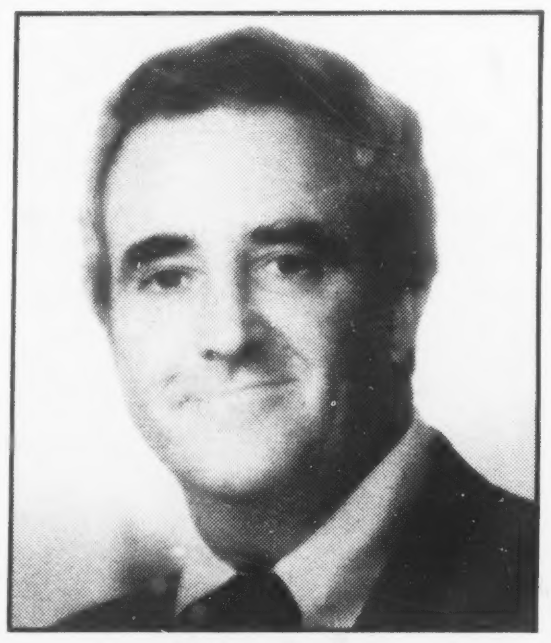
The increase in competition for senior managers, says Howard, has made it more difficult to hang on to food and beverage directors, catering directors and executive chefs. New entrants into the industry are not as willing to accept the long hours that go along with these jobs and move around looking for better positions.

One answer, says Howard, is getting managers to take their days off, which some rarely do. Going two to three weeks with no break, he says, is what leads to frustration.

CHAIN ANALYSIS/PART 1: CAFETERIAS

Rough ride ahead on Kelly-Johnston roller coaster

DUFF'S


Mike Kelly

DUFF'S**

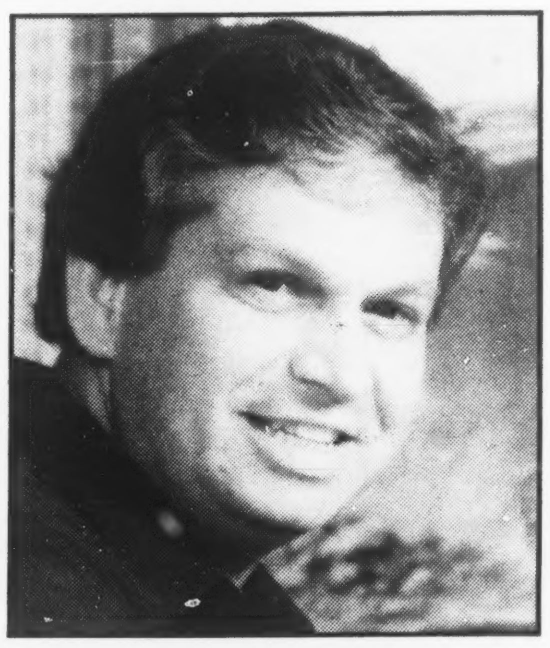
(Fiscal Year Ended March)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$149.2	$167.9	$201.5
Revenue (In Millions)		$45.0	$60.0
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$1.15	$1.21	$41.34
Average Per-Person Check*	$3.95	$4.00	$4.00
Number of Units	138	144	173

Source: *NRN* Research

**NRN* Estimate

**Acquired by Kelly-Johnston Enterprises 8/83; fiscal year subsequently changed making some comparisons not meaningful.


Joe Johnston

OKLAHOMA CITY — With parent Kelly-Johnston Enterprises in apparent turmoil, this could be a make-or-break year for Duff's Famous Smorgasbords, the fixed-price, all-you-can-eat cafeteria chain Kelly-Johnston acquired a year ago this month.

By all measures the year has been a stormy one and the tempest shows little sign of abating.

The latest chapter was written by Arthur "Mike" Kelly, chairman, chief executive and a co-founder of Kelly-Johnston who resigned, apparently under pressure.

Joe Johnston remains president, but chief financial officer John Slaymaker becomes chairman. Johnston, too, may not be long in place.

Kelly said he left because he disliked the corporate environment—ironically, one he helped build.

Kelly-Johnston's earnings and share price have been knocked for a loop, following heavy losses connected with Duff's. K-J's problems were compounded by high costs and costly mistakes in its other divisions as well.

But the Duff's franchise network, long the source of the chain's growth, appears as strong as ever. Relations between the franchisees and the franchisor are reportedly better than they were immediately after the takeover, but still tense.

Franchisees could build 30 new units this year, in which case Duff's could surpass segment-leader Morrison in number of restaurants.

But there remain some big "ifs."

Duff's succeeded in the years before Kelly-Johnston almost in spite of itself. Not until Duff's had 100 stores did it have a complete operations manual. Kelly-Johnston has found quantitative market research so sorely lacking that the new owners say they are reluctant to budge before completing a current survey.

Management turnover has been brutal. Duff's headquarters was moved after the takeover from Cincinnati. In the process, Duff's lost its entire executive team.

At the top of the Duff's operation will be Will Chizmar, formerly sales and marketing vice president at ARA Services, who became division president Aug. 1.

Chizmar reports to Don Jones, K-J executive vice president. Interim division chief Roy Dunne is expected to leave the company to run a franchise of K-J's seafood dinnerhouse operation, Joe Kelly's Oyster Docks.

Other new senior managers at Duff's include Gary Zambon, a former Duff's franchisee, who is now vice president for franchise operations, and Bruce McGlinchey, new marketing vice president.

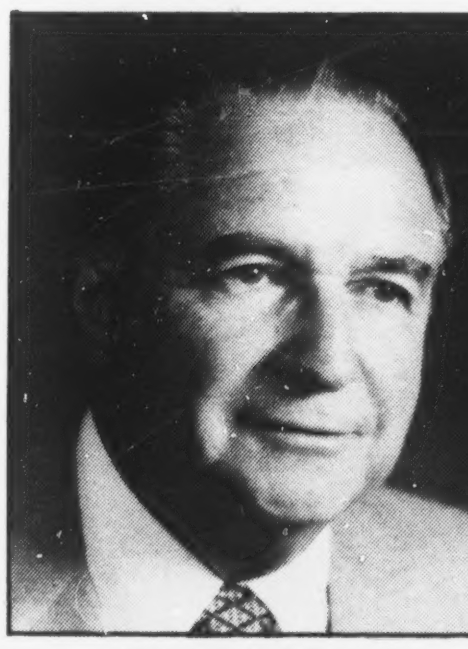
New managers are also working in food-and-beverage operations, real estate and design.

Kelly-Johnston finished fiscal 1984 in March with a bare $418,000 net profit, 83% less than in 1983. Reflecting the Duff's acquisition, meanwhile, revenue rose 133% to $95 million. The company also operates 19 Chi-Chi's Mexican dinnerhouses and three seafood dinnerhouses.

Expansion stays on schedule as chain heads West

LUBY'S

By Rick Telberg


George Wenglein
chairman

LUBY'S CAFETERIAS

(Fiscal Year Ended Aug. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$138.1	$152.7	$183.0
Revenue (In Millions)	$129.2	$144.1	$179.0
Net Profit (In Millions)	$11.6	$13.9	$17.3
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$2.33	$2.35	$2.45
Average Per-Person Check*	$3.65	$3.82	$4.05
Number of Units	64	70	77
% Menu-Price Increase	5.0%	3.0%	6.0%

Source: *NRN* Research

**NRN* Estimate

SAN ANTONIO — Aiming for 85 units in 1985, Luby's Cafeterias Inc. figures the twin shocks of oil-patch recession and peso devaluation are behind it.

When the company closes the books on its fiscal year at the end of this month, 77 units will be open, seven of them built from scratch in line with Luby's conservative 10%-per-year growth strategy.

The company bought back seven cafeterias it had managed for the chain's early investors, boosting 1984 revenue by maybe $4 million and ending forever the discrepancy between systemwide sales and revenue.

With eight new units planned in fiscal 1985, Luby's will be facing stiffer competition. But in the relatively genteel cafeteria business, market share battles are rarely allowed to get out of hand.

Instead of heading eastward to take on most cafeteria chains, Luby's is heading west, where its competition is mainly Furr's.

Luby's claims a qualitative marketing advantage over Furr's because Furr's uses commissaries and Luby's touts fresh cooking. Luby's also pays its managers more. But other things being equal, site selection usually wins out.

The company will open its first unit in Oklahoma City, a new market for Luby's where it will challenge Furr's and Morrison. Luby's will meet Furr's again when it cuts the ribbon in Amarillo, Tex., and Albuquerque and Santa Fe, N.M.

But three new cafeterias will also be built in or around Houston, where Luby's has operated for almost 20 years and now has 16 stores. Another outlet is slated for the Dallas suburb of Irving.

Luby's started its recovery with the rest of the Texas economy in its fiscal third quarter, when it posted a modest 1% year-to-year headcount gain—the first uptick in almost two years.

By the third quarter, as well, Luby's Mexican border stores, which had lost 13% of their traffic, had recovered 95% of it. Now it's back to business as usual at Luby's.

A bow to mounting pressure: Prices finally come up

PICADILLY

PICCADILLY CAFETERIAS

(Fiscal Year Ended June)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$153.0	$174.0	$198.0
Net Profit (In Millions)	$6.0	$8.5	$9.8
Average Same-Store Sales (Units open 12 mos. or more) (In Millions)	$1.9	$2.0	$2.1
Average Per-Person Check*	$3.55	$3.94	$4.06
Number of Units	85	93	102
% Menu-Price Increase	6.0%	11.0%	4.0%

Source: *NRN* Research

**NRN* Estimate

BATON ROUGE, La. — Long reluctant to pass through cost increases, Piccadilly Cafeterias this year could shuck a millstone to reach a milestone when its average check passes the $4 mark.

Until recently, Piccadilly's prices ran 40% to 50% below its competitors—Morrison, mainly.

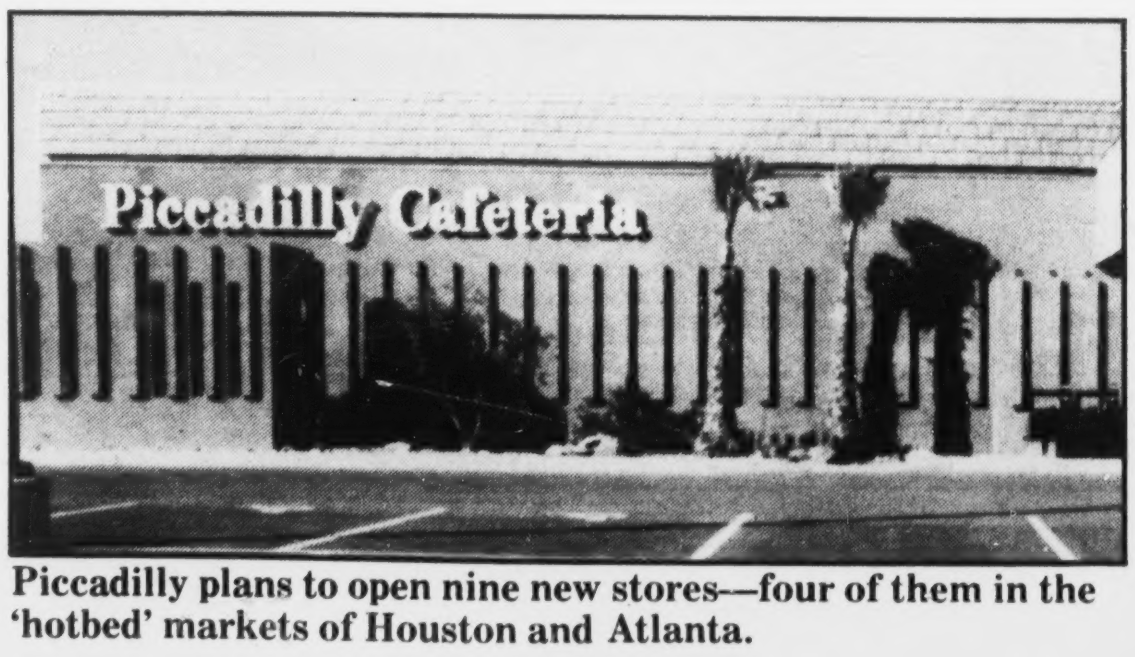
But Piccadilly relented last winter, raising prices about 11% on the year ended in June bumping checks to about $3.94. A modest 4% advance in fiscal 1985 would bring the check to almost $4.10.

Despite higher prices, headcounts are up—maybe more than 3% year-to-year. And, of course, price hikes, can do wonders for profit margins.

This was one of those times. For the year ended June, Piccadilly was expected to post $8.5 million in net profit, up 29% from 1983 which booked a number nonoperating write-offs. Sales were probably $174 million, a 14% gain. There were 93 Piccadillies, up from 85 in 1983.

For fiscal 1985, Piccadilly will add nine stores, including two in Houston and two in Atlanta—both markets which are developing as cafeteria hotbeds. Two more will go in Florida, long a cafeteria stronghold.

Eight of the nine will be freestanding, a new direction for the company which now has only about 20. Freestanders, while more costly to build, generally yield twice to three times the profit of mall units where rentals are based on sales percentages.



Piccadilly plans to open nine new stores—four of them in the 'hotbed' markets of Houston and Atlanta.

FOCUS NRN

CHAIN ANALYSIS/PART 1: CONTRACT FEEDERS

Contract feeders rise to the challenge of layoffs in heavy industries with a wide array of new concepts and markets, including schools, prisons and office buildings. Several leading contract feeders consider public restaurants and take-out shops in office buildings.

Innovative marketing programs take center stage

ARA

PHILADELPHIA — Contract management leader ARA Services, with 1984 food-service revenue expected to reach nearly $1.9 billion, has stepped up its marketing efforts under chairman Joseph Neubauer with such innovative programs as public restaurants in office buildings, specialty food boutiques on college campuses and take-home, precooked dinners for office workers.

Neubauer, 42, who was named chief executive last year and took over as chairman from company co-founder William Fishman earlier this year, has brought in a host of new marketing executives in the company's five major business segments (food-service and refreshment contracts account for about 51% of company revenue).

Joseph Neubauer

With over 100 operating divisions, however, some observers feel the company has grown far too unwieldy and profits have suffered as a result. In 1983, for example, ARA posted total revenue of about $3.1 billion on a nét profit of only $53.7 million, a poor 1.7% ratio.

Even as the company basks in the publicity garnered from providing both food and transportation services at the recent Los Angeles summer Olympic Games, a "shadow" has descended in the form of a takeover attempt.

A group headed by former ARA Food Services president William Siegel has been pursuing a bold effort to acquire the giant company with an initial offering worth at least $372 million.

While the Siegel plan—which would take the company private under a complex leveraged buyout of stockholders—calls for retaining the current management team headed by Neubauer, the latter registered bitter opposition.

Meanwhile, a major restructuring of the company's food-service sectors along marketing rather than geographic lines has begun to pay some dividends. Operating income in ARA's food-service and refreshment sector, which dropped sharply in 1982 (the year restructuring began), increased by nearly 9.8% in 1983 and should easily surpass the $53.5 million registered in 1981 by the end of the current fiscal year.

ARAserve (formerly ARA Food Services), the company's institutional feeding sector and its largest revenue producer, has been vertically divided into seven divisions each with a separate president operating out of company headquarters in Philadelphia.

Under the new arrangement, the company has divided marketing responsibilities along separate business lines, enabling it to better devise innovative programs to meet the needs of a diverse clientele. The seven ARAserve divisions include: the At-Work Group; Vending Services; Business Dining Services; a Coffee System Division; Hospital and Food Management; Community and School Services, and Campus Dining.

Air/Leisure Services, which handled feeding at the Los Angeles Olympic Games, and the International Sector, with clients in Canada, Europe, Japan and Venezuela, also contribute to the company's food-service revenue.

ARA

(Fiscal Year Ended Sept. 30)

	1982	1983	Current Fiscal Year*
Revenue (In Billions)	$1.5	$1.6	$1.9
Operating Profit (In Millions)	$41.9	$46.0	$57.5
Average Same-Store Sales (Units open 12 mos. or more)	$750,000	$535,000	$508,000
Number of Contracts	2,000	2,994	3,742

Source: *NRN* Research

**NRN* Estimate

Plans for the future hinge on potentials—and pace

SAGA

MENLO PARK, Calif. — Synergy among its widening variety of food-service components will drive Saga Corp. through a period of transition toward its goal of accelerated revenue growth in 1985, company sources indicate.

Growing diversity among its restaurant-chain holdings doesn't mean Saga will downplay contract food service, which is continuing to experience both revenue and unit growth in each sector, including education, corporate, healthcare and Canadian.

Nor does such diversity mean that some profitable restaurant components will necessarily remain sacred cows, as evidenced by the recent sale of Straw Hat Pizza.

Saga will, however, be closely examining the growth pace and potential of its chains and contract elements in plotting any future acquisitions, divestitures or diversifications.

In the case of Straw Hat, the 205-unit pizza chain could show only a 6%-7% compounded revenue growth rate in recent years, compared to overall corporate growth of about 11%. More importantly, Saga saw Grandy's growing at a 65%-70% rate, and opted to reallocate its financial and human-resources assets from pizza into the booming upscale chicken-and-biscuit segment.

Two years ago Saga was in two basic lines of business with seven divisions; the $1.1 billion conglomerate now delineates its activities into three lines (upscale fast food joins restaurants and contracts) with 10 divisions. The acquisitions last year of Grandy's and the burger-and-ribs concept, Spoons, and such moves as the fairly recent diversification into hotel food-service management are all evidence of Saga's burgeoning profitability and newfound propensity for getting into progressive segments and newer menu trends.

Moreover, chairman and ceo Charles Lynch enters his sixth year at the helm of Saga able to count five separate divisions having "significant growth potential, where only two years ago he and his tightly disciplined executive team could see only two such divisions—Black Angus and Health Care—on the horizon.

The Grandy's, Spoons and restaurant management divisions have joined the Stuart Anderson's Black Angus dinnerhouse and health-care contract divisions to offer Lynch and company a formidable first-string offense.

In fiscal 1984 Saga's upscale fast-food units, Grandy's and Straw Hat Pizza, contributed most heavily to the 23.4% gain in corporate net profit to $24.5 million on revenues of $825.3 million for the nine-month period ended March 24.

Among its five top growth prospects, Texas-based Grandy's may be the front-runner in terms of corporate expectations—particularly given its estimated 17%-20% pretax unit margins.

Through the third quarter of fiscal 1984, Saga saw per-unit development cost of about $825,000 turn into average annualized sales of $1.6 million for Grandy's units, up 7% over the first nine months of the previous year. Grandy's revenues of $27 million in 1983 could total more than $50 million for fiscal 1984, and climb to $92 million this year, according to estimates.

Although all Saga contracts produced about 63% of total revenues for 1984, they yielded only about 38% of operating profit. But in interviews, Charles Lynch continues to stress the advantages of a portfolio of businesses that interact with one another in the overall support of corporate growth, adding that Saga's contract operations throw off a lot of cash and also serve as a proving ground and supply source for restaurant managers.

As concepts like Grandy's and Spoons build up steam for rapid growth and market-share warfare in their respective segments, Saga will need just such a valuable manpower resource.

SAGA CORPORATION

(Fiscal Year Ended June 30)

	1983	1984	Current Fiscal Year*
Systemwide Sales (In Millions)	$1,023.5	$1,221.7	$1,367.0
Revenue (In Millions)		$1,120.0	$1,245.0
Net Profit (In Millions)	$22.4	$31.0	$37.9
Average Same-Store Sales (In Millions) Black Angus	$2.50	$2.54	$2.65
Velvet Turtle	$1.90	$2.00	$2.00
Spoons		$1.20	$1.45
Grandy's	$0.50	$0.53	
Straw Hat Pizza	$0.50	$0.53	
Restaurant Management		$3.00	$27.00
Average Contract	$0.78	$0.81	$0.85

Source: *NRN* Research

**NRN* Estimate

Chief exec Kozlowski determined to break into school, prison feeding

CANTEEN

CHICAGO — Canteen Corp., a subsidiary of Trans World Corp. and the nation's largest contract feeder, has a new president/chief executive officer and a new-found diversified business philosophy.

Under Robert Kozlowski, Canteen has by no means abandoned the course navigated through the last recession by Kozlowski's predecessor, James T. McGuire. But, in addition to exploiting opportunities in white-collar and blue-collar education, recreation and health-care markets, Kozlowski has opened up two new food-service routes: Prison and secondary school mass feeding programs.

Canteen, already providing food service at the DeKalb County, Ga., jail and the Peoria, Ill., county jail, is currently bidding to feed 10,000 prisoners three meals a day, 365 days a year, at New York's Riker's Island prison. The giant food-service contractor is also actively penetrating the school lunch programs by developing a recent acquisition from Chicago-based Jewel Foods—a mass-feeding operation that serves frozen, preplated lunches in 115

(Continued on page 144)

CANTEEN CORP.

(Fiscal Year Ended Dec. 17)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$750.1	$767.1	$800.0
Operating Profit (In Millions)	$22.6	$27.6	$32.6
Average Same-Store Sales (Units open 12 mos. or more)	$810,000	$786,000	$800,000
Number of Units	920	975	1,000

Source: *NRN* Research

**NRN* Estimate

FOCUS NRN

CHAIN ANALYSIS/PART 1: IN-STORE FEEDERS

Two leading in-store feeders try to cope with several years of flat sales by converting their lackluster lunch counters and cafeterias into trendy dining spots. Concepts feature 'upscale' decor and fancy hamburgers, salads and 'hot' new food items. One even sells a Whopper.

Overhaul tries to tap untapped in-store potential

K MART

TROY, Mich. — The *new* 1,257 K mart in-store cafeteria feeding division is being repositioned with an upgraded product line, improved preparation and presentation and a more modern interior decor package.

"There's a tremendous untapped potential for food-service customers at K mart stores," said the company's food-service director, Paul Swisher, a 25-year K mart veteran. "We would like people to come to K mart to eat, not just to shop."

Under Swisher, K mart has converted one hundred 1,700-sq.-ft. back-of-the-store cafeterias to sandwich shops in the past four years. The new concepts merchandise burgers, sandwiches, soups and salads, whereas the cafeterias emphasized hot platters.

"We're getting away from plate lunches and steam tables to more salads, sandwiches and soups. We're looking at lighter, healthier foods like chicken and fish items, while upgrading the presentation and variety of steam tables that are successful. Steam tables, which have been in place in K mart stores since 1963, still account for the majority of K mart's $300-million-plus in food-service revenue, added Swisher.

The "lighter, brighter" remodeling package is intended to complement K mart's new "lighter, healthier" food-service thrust. Swisher is replacing the hard dining booths with a more comfortable variety, dropping ceilings and changing fixtures to create softer lighting in the dining area. "We want to replace the sterile nature of our dining area decor with a more comfortable, modern ambience," said Swisher.

New portion sizes and product variations—like a 4-oz. hamburger instead of a 3.2-oz. version and a six-cut pie to replace a 10-cut variety—are being selectively test marketed in 50 K mart cafeterias. In the 85 family restaurants, located in choice upfront positions in former W. T. Grant stores taken over by K mart in the early 1970's, Swisher had added several new sandwiches—including tuna melt ($1.95), chicken breast ($1.85) and a ham-and-cheese club ($2.50).

Swisher's overhaul carries over to K mart's other food-service operations. In addition to the cafeterias and family restaurants, Swisher is revamping food service and decor in many of the 114 delicatessens, 40 fast-food snack bars and 13 coffee shops located in 1,500 of K mart's 2,200 stores. K mart also operates a budget steakhouse, a smorgasbord cafeteria and two coffee shops.

In the nearly 300 Kresge stores, there are 77 original soda-fountain-and-grill "dinettes," with $1.25 sandwiches and $1.15 ¼-lb. burgers.

K mart's percentage menu price increase has escalated from 2% in fiscal 1983 to 4% during the current fiscal year, boosting the average per-person food and beverage check from $1.55 in 1982 to $1.84 this year. Systemwide food-service sales have also increased since 1982, from $300 million to "substantially" more than that projected for the current fiscal year, according to Swisher.

The Sandwich Shoppe
ENTER
SPECIAL

K mart's Sandwich Shoppe is an example of their "lighter, brighter" food-service aspirations and an end to "sterile" decor and ambience.

K MART

(Fiscal Year Ended Jan. 31)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Millions)	$300.0	$300.0	$300.0
Average Per-Person Check*	$1.55	$1.70	$1.84
Number of Units	1,300	1,250	1,257
% Menu-Price Increase		2.0%	4.0%

Source: *NRN* Research

**NRN* Estimate

Giant in-store feeder 'must concentrate on basics'

WOOLWORTH

NEW YORK — While Woolworth's focuses on the immediate needs of its food-service division over the next two years, the new vice president in charge of domestic food service, Charles Kelly, will also be looking at long-term strategic plans.

Kelly replaced Robert Powers who left in June after two years as head of domestic food service.

Under Powers, Kelly held the title of vice president of Burger King operations and special projects. He oversaw the opening of the company's first in-store Burger King in lower Manhattan and plans to continue the development of the fast-food operation inside Woolworth's units.

As variety stores are remodeled, Burger King units can become part of the Woolworth's operation. During the past two years close to 100 units per year have been remodeled and the chain plans to keep up the level of refurbishment in 1985.

By mid-1985 there will be a total of eight Burger King units, according to Kelly, with more to come in the second half of that year.

"But right now we are concentrating on improving our basic operation, our service and working on the disciplines within the operation."

Describing current operations as in a somewhat "critical" phase, Kelly has his eye on a test concept—The Quiet Corner—a coffee shop which generates $1 million in sales in a store in St. Louis. While the St. Louis operation meets the company's stringent 16% return on investment requirement, the cost of building in other locations might not make the success as repeatable.

WOOLWORTH

(Fiscal Year Ended Dec. 31)

	1983	1984	Current Fiscal Year*
Revenue (In Millions)	$160.0	$160.0	$160.0
Number of Units	1,000	1,000	1,000

Source: *NRN* Research

**NRN* Estimate

With unit sales over $1 million, the existing Burger King operations more than meet the company's financial goals.

While the overall system is reported to do $200 million in sales per year, many units pull in half of the volume of the new Burger Kings, illustrating the great dollar potential at Woolworth's if the company can improve the performance of some of its coffee shops, snack bars and cafeterias.

Menus have been somewhat systemized throughout the numerous cafeteria concepts and execs say that the ongoing upgrading program is crucial to the company's future success.

A new Woolworth concept: The Quiet Corner, already generating $1 million in sales per year at $3.75 per person.

Kozlowski building inroads to new contract markets: Prisons, schools

(Continued from page 143)

school districts.

"With our junior high and high school cafeterias already in place, we think we can provide full-service, cost-efficient food-service operations to school districts," said Kozlowski.

Despite his efforts to expand Canteen's base of operations and business mix, Kozlowski still recognizes where the $800 million-a-year company's bread is, and probably always will be, buttered.

"We haven't radically altered the five-year plan we had with Jim McGuire, nor do we intend to," said Kozlowski, 57. "We're aware of the fact that the economic base of the United States is changing to a service orientation, and that our future rests on our ability to sell and market our goods and services in the various fee-based food-service business activities we're identified with—education, white- and blue-collar industry, health care and, of course, recreation and leisure services."

Canteen's major push into new markets is proving difficult due to heavy competition for prison accounts—Riker's Island could yield product and revenue in excess of $20 million a year—and school lunch programs.

Canteen projects its 1,000-plus food-service contract accounts generating operating profits of $32.6 million on revenue of $800 million in fiscal 1984, compared to earnings of $27.6 million on revenue of $786.1 million in fiscal 1983.

"Through internal growth and acquisition, we expect to reach targeted profit of $45 million on revenue of $1.3 billion by the end of fiscal 1987," Kozlowski said. Of Canteen's 1,000-plus accounts, which account for $800,000 in annual average per-account sales, approximately 900 are company owned and operated and 90 franchised from a national organization.

Canteen's vending services division suffered most through the last recession, but is making a comeback as the nation's blue-collar labor force slowly returns to the industrial workplace. "Vending is still the largest division in terms of volume and produces the largest percentage of profit dollars. But we must restructure vending operations to meet the changing work environment—more automation and less people on the job," said Kozlowski.

Canteen's foray into white-collar feeding has required a shift in menu emphasis toward fast foods-particularly finger foods—and away from the filling meat-and-potatoes favored by manual laborers.

FOCUS NRN

CHAIN ANALYSIS/PART 1: CONVENIENCE STORES

Many fast-food execs see growing competition from convenience stores, which are stepping up their takeout food service with a vast array of new items that include french fries, burritos, tacos and salad bars. C-stores are starting to resemble old-style fast feeders.

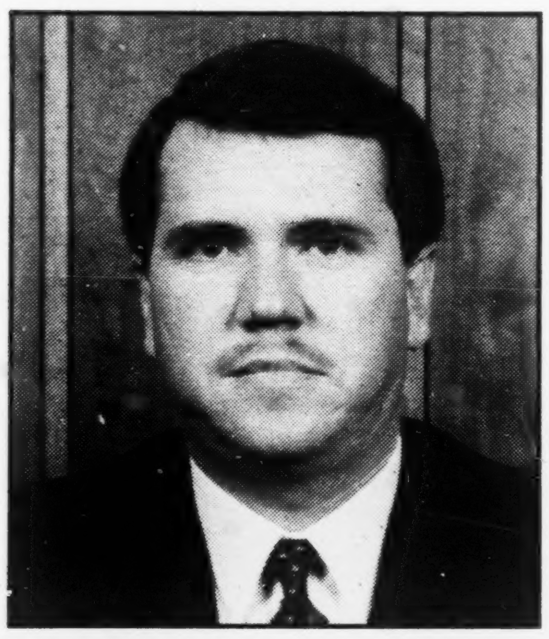
Flurry of activity aimed at raising fast-food sales

CIRCLE K

PHOENIX — It looks like busy times ahead for the publicly held Circle K Corp., which operates 1,200 Circle K convenience stores.

It is converting the 960-unit U-Tot-M convenience store chain it acquired last December for $225 million to Circle K units and is rolling out its Deli-Fresh sandwiches and Mexican fast-food line systemwide. Circle K has also agreed to buy General Host's 435 Little General convenience stores for approximately $100 million in cash.

The basic rationale behind all the Circle K moves is a desire to raise the chain's gross food-service sales from $76 million, or 8.2% of total revenue, in fiscal 1984, to 15% of in-store sales by 1990. Should that happen, Circle K, the nation's second-ranked convenience store chain behind Southland's 7-Eleven, will become a major player in the fast-food game as well.



Stephen Schwitalla

Circle K's game plan is entirely realistic. In addition to total food-service volume jumping 58%, from $48 million in fiscal 1983 to $76 million in fiscal '84, systemwide net profit increased 43.7%, to $21.7 million, and company revenue ballooned 40.7%, to $647.7 million.

"We're targeting fast foods as our primary marketing thrust. It's the single fastest growing category for convenience stores as far as real growth is concerned," said Stephen Schwitalla, Circle K's vice president of food service. "Food-service profits have been very dramatic, carrying the highest gross profit percentage of anything in our stores.

Gasoline sales currently constitute 40% of the convenience store chain's volume, with tobacco, groceries and food service accounting for the remainder. "More and more people are coming to Circle K stores as a destination eating stop, as opposed to making impulse purchases of fast food, which is expanding our customer base," Schwitalla said.

The Deli-Fresh sandwiches and a line of Mexican fast foods—carried under Circle K's Old Santa Fe brand name label—are available in more than 1,400 Circle K and U-Tot-M stores in 13 Western states. Rollout to other stores in the network, including all converted U-Tot-M's, is being conducted throughout the West, Southeast, Southwest and South.

Circle K now offers 18 Deli-Fresh sandwiches, ranging in price from $1.19 to $2.99 for the Texan—a 14-oz. assortment of cold cuts and cheeses billed as a "picnic in a sandwich." Other sandwich items include submarines, hot ham and cheese, ham and swiss on rye, tuna, egg salad and a variety of cold cut and cheese combinations.

While sandwich, snack food, hotdog and fountain sales have risen dramatically over the past year at the 24-hour, self-service stores, the Old Santa Fe Mexican line has shown the greatest sales increase since being expanded last July. The chain has added enchiladas and tamales to its burritos line and increased the beef content of its products, jacking up the sales of these items more than 100% in 13 months.

Additional food-service sales are being garnered through distribution of sandwiches to outlets outside the chain. The Phoenix commissary is churning out 65,000 sandwiches per day for its Circle K and U-Tot-M stores, and also producing sandwiches for approximately 1,000 outside accounts, said Schwitalla.

Circle K's recent Deli-Fresh incentive contest helped 30 Circle K convenience stores build impulse sales and improve awareness of the chain's fast-food products, said Schwitalla. The contest, which ran through April, was initiated to prompt employees to utilize suggestive selling techniques in the sale of Deli-Fresh sandwiches. During the competition, more than 6,000 employees in 1,200 stores throughout 12 states suggested the 18 deli-style sandwich varieties to their customers.

Each participating store competed against its own past sales. Store managers received cash and vacation trips as prizes, while all store employees were rewarded with two shares of Circle K stock and an 8-lb. ham.

"This business is becoming more and more competitive. We're going after the traditional fast-food chains as well as the competing convenience stores," said Schwitalla.

CIRCLE K

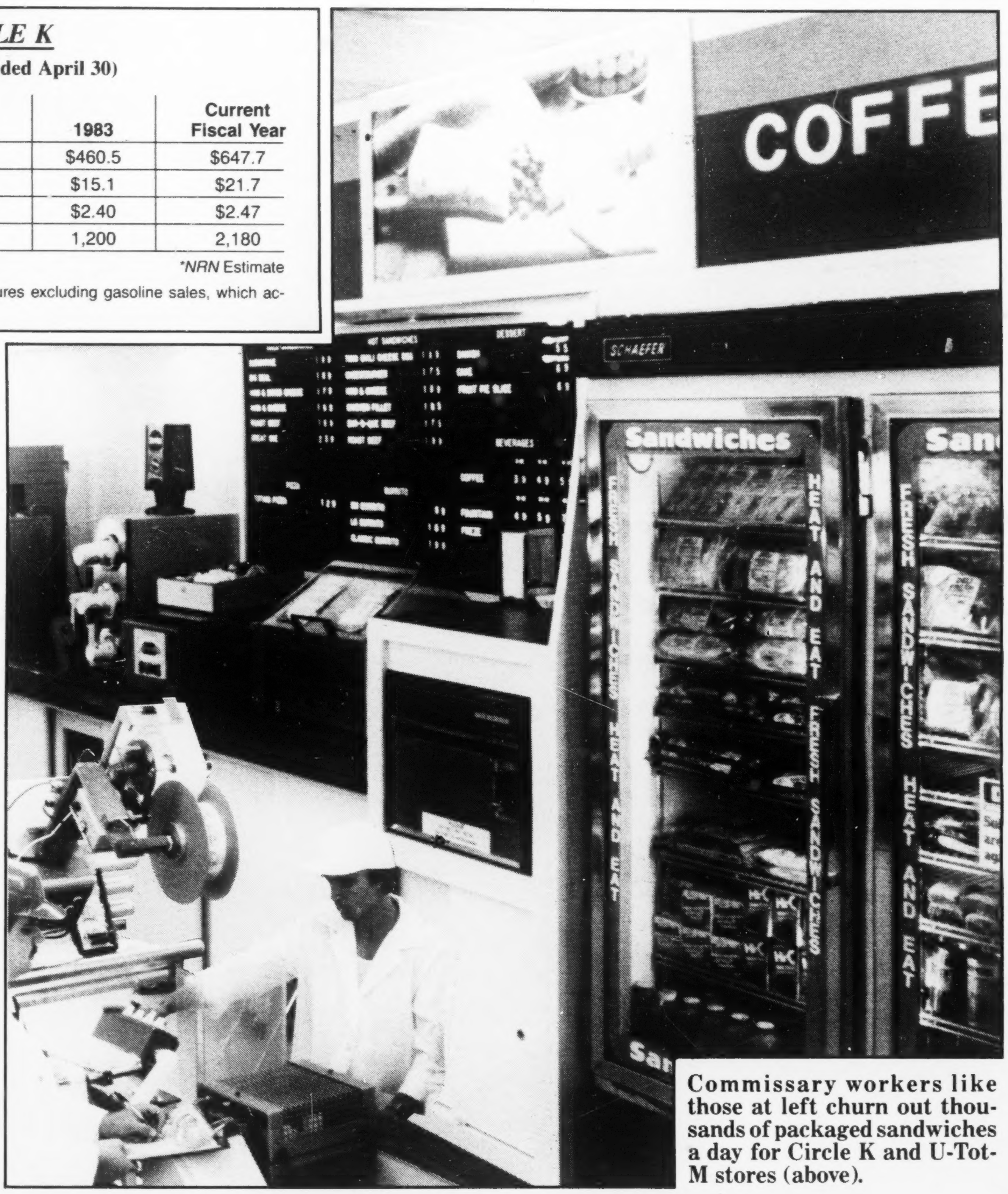
(Fiscal Year Ended April 30)

	1983	Current Fiscal Year
Systemwide Sales (In Millions)*	$460.5	$647.7
Net Profit (In Millions)	$15.1	$21.7
Average Per-Person Check	$2.40	$2.47
Number of Units	1,200	2,180

Source: *NRN* Research

**NRN* Estimate

*All figures are corporate, systemwide figures excluding gasoline sales, which account for 40% of gross company sales.



Commissary workers like those at left churn out thousands of packaged sandwiches a day for Circle K and U-Tot-M stores (above).

A convenience store chain striving for greater part of on-the-run market

7-ELEVEN

DALLAS — Southland Corp.'s 7,000-unit 7-Eleven convenience store chain is tinkering with a vast array of new products, including salad bars in the Southeast and french fries in the Southwest.

While it remains unclear whether grocery stores steal market share from restaurateurs or whether they expand total market, 7-Eleven bears watching.

Estimating that 20% of the chain's sales can be categorized as some sort of food service—whether a meal or a snack—7-Eleven figures to do systemwide food-service sales of $1.5 billion this year.

Much of that volume, however, is in snacks and drinks. The chain, for example, probably sells more cups of coffee than any retail or restaurant chain.

Last year, hotdogs and nachos were added to 7-Eleven menus, joining such standards as burritos and factory-packaged sandwiches.

The chain, nevertheless, remains hamstrung by the economics of the grocery business. Salad bars, for instance, can require new labor costs.

7-Eleven has solved part of the labor problem in the Southwest, where it has employed an automatic machine that fries and dispenses potato chunks much like an automatic ice machine.

7-Eleven continues to test fresh-made bakery products in a Dallas prototype tagged JT's Bakery and Sandwich Shop. But again, 7-Eleven already has a vast manufacturing and distribution system that is not about to fold up.

And yet, food quality aside, 7-Eleven has far more opportunities to catch the diner on the run than traditional fast-food restaurateurs. It has, for instance, signed a deal to install thousands of automated bank teller machines in its stores.

7-ELEVEN

(Fiscal Year Ended December)

	1982	1983	Current Fiscal Year*
Systemwide Sales (In Billions)	$1.1	$1.3	$1.5
Revenue (In Millions)	$814.0	$952.0	$1,133.0
Average Same-Store Sales (Units open 12 mos. or more)	$119,000	$137,000	$159,000
Number of Units	6,868	6,962	7,112

Source: *NRN* Research

**NRN* Estimate

Mesquite grilling: Is it too hot to handle?

(Continued from page 5)

try rushed to get mesquite-grilled items onto their menus. In addition to its powerful merchandising potential, mesquite-grilling yields food items that are tasty and which retain much of their natural juices—seared in by the wood's extreme heat.

Once the grills were on-line, however, operators were suddenly forced to take a hard look at what really went in to preparing mesquite-grilled items. And they quickly learned mesquite just didn't perform like any other fuel.

Michael Northern, director of kitchen operations for the Levy Organization—one of the first practitioners of mesquite-grilling in the Chicago area—says it took the staff at the Chestnut Street Grill more than a month to learn how to use the equipment. "It was hard to control the heat," he says. "For a while, the grilled fish was coming out black."

The ability to control this intense heat is one of the chief problems operators first encounter after installing a grill. Mesquite is said to burn at about 1,000°F, and a delicate item such as a fish fillet can char if left on just a few seconds too long. To further complicate the process, mesquite wood and charcoal burn unevenly, leaving a grill with "cool" spots which can tear the surface of food items.

A well-trained grill chef is a necessity then, and Northern says the Levy Organization looks for at least some gas grill or broiler experience when hiring for the station. If the experience isn't exactly the same, he says, "at least we know the person can stand up to the intense heat for a long period of time."

Mesquite grilling also tends to be more of a fire hazard than most other preparation techniques. The wood and charcoal is very dense and can pop or "explode," sending off sparks that can feasibly ignite the layers of grease and soot that build up quickly in overhead exhaust fans and vents.

Since mesquite smokes a great deal, efficient exhaust fans are a necessity, and the grill itself should be placed directly underneath a vent. Operators, however, are finding that ventilators must be cleaned on a regular basis—determined largely by the foods cooked on the grill. Fats from heavier meat such as beef, veal and pork cause more smoke; consequently, the exhaust system must be cleaned more often than at restaurants which grill more fish and poultry items.

Another major problem encountered with mesquite is the loading of the grill during service. If the bed is allowed to cool too much, the searing benefits of mesquite are lost. Consequently, a grill chef must coordinate the loading process with a slack period in the service—so as not to interrupt the grilling of too many items at once.

Availability can also present a problem in certain sections of the country. In the West and Southwest where mesquite grows, supplies are generally plentiful—in other areas, however, they can be spotty. At Carolina, a New York City restaurant specializing in mesquite-grilled and -smoked dishes, finding a good supplier for large pieces of natural-lump charcoal has been a problem for some time, according to manager Brad Brown. But he adds: "We've had no trouble getting mesquite wood for the smoker."

The Levy Organization coped with an "on-again, off-again" supply of mesquite by simply purchasing whichever hardwood coals—maple, hickory or oak—were currently available.

But even when supply is strong and demand is low, high prices can be prohibitive to some operations. David's of San Francisco, a 174-seat restaurant in Columbus, Ohio, decided to eliminate mesquite grilling after management discovered the coals were costing them two and a half times as much as gas.

And predictably enough, not everyone likes the taste of mesquite. Some claim that the flavor is imperceptible—but when you can taste it, it lingers for hours. According to Shelly Fireman, mesquite doesn't enhance the flavor of food at all.

John Baran, a New York restaurant consultant, says the flavor of mesquite can be heavy and sharp—"It has an acrid taste," he says. "I prefer the taste left by woods like peach, apple, cherry or hickory.

"But California-style cooking is still fashionable on the East Coast, so mesquite will probably be populr for a while longer."

And despite the problematic aspects of cooking with mesquite, its increased visibility within the restaurant industry during the next five years is virtually ensured. Interest within the independent segment has not even begun to peak yet, and chains and multiunit operators are only now beginning to take a real interest in it.

Garcia's of Scottsdale acquired Famous Restaurants Inc., a five-unit chain located in California, Arizona and Colorado, earlier this year, in part because the chain was offering mesquite-grilled items. The Levy Organization, which currently operates five restaurants using mesquite and hardwood coal grills, has three projects in the works that will include grilled items.

But it is the entry of seafood dinnerhouse chain Red Lobster into the mesquite-grilling arena that will probably spell the greatest change for the trend. If Red Lobster chooses to emphasize the mesquite-grilling aspect of their new image in the chain's typically massive television advertising compaigns (they spent over $28.7 million in 1983 on local and network advertising) mesquite could well become a household word—an attraction that might then prompt othr major chains to make the plunge into grilling.

Top 100 chains posting 12% gains in 1984 sales

(Continued from page 5)

feeder, 1 a convenience store and 1 a family restaurant.

- Large conglomerates and big chains are dominating the industry. Fast feeders are pacing industry growth.
- A growing number of food-service operators are segmenting the food-service marketplace through diversification.
- Nearly half of The Top 100 Companies ranked by food-service revenue are primarily involved in businesses other than food service. But their combined $24.7 billion in food-service revenue is about 59% of the Top 100 Companies' total revenue.
- The Top 100 Companies are posting a 14.4% rise in food-service revenue to $42 billion this year, or about 26% of total projected food-service industry sales.
- McDonald's $3.3 billion projected 1984 revenue represents 7.85% of total food-service industry sales. No. 2 Marriot Corp. has projected 1984 food-service revenue of $2.45 billion, or a 5.83% share.

ARA puts in medal-winning effort at Summer Olympics

(Continued from page 5)

As befits the cross-cultural melange that is Los Angeles, the Games of the XXIII Olympiad reflected many of the variegated flavors that have found a home here.

"We never imagined they would eat so much *kimchee*," exclaimed ARA Services vp Faye Clarke, gm of athletes' food services. The Korean staple of pickled, fermented cabbage was consumed at the prodigious rate of four cases at one meal in a single dining room.

Other unusual food items such as betel nuts, favored by some Asians, also made it onto the Olympic menus. But regardless of the ever-changing array of dishes, organization was ARA's essential ingredient.

In each dining facility, food-service layouts were designed to provide random access by the athletes to hot, cold and beverage counters in a so-called "scramble system" which precluded bottlenecks. Carefully trained kitchen staff and counter-service workers eased the almost ever-present crush of diners.

Pastas and soups at each meal, including breakfast, were indicative of the care shown in constructing menus for all ethnic tastes and training regimens, able to sustain athletes who required as many as 9,000 calories a day.

Encountered just outside the main Olympic Village gates at the USC campus, the swim team of the U.S. Virgin Islands was ecstatic over the food. "Breakfast of scrambled eggs and sausage was great—you can have anything you want," said one Virgin Islander. "If I want a hamburger or hotdog at 4 in the morning, I can get it."

Swimmers from the United States team got into their precompetition routine at a laid-back Los Angeles pace, spending one afternoon shortly after checking into the USC village at the popular off-campus Trojan hangout, Margarita Jones, eating nachos and drinking the restaurant's namesake libation.

The next night, they and all the other thousands of international athletes in Los Angeles were in their respective villages, feasting on roast beef; baked smoked ham; swordfish steaks; apple and almond-stuffed chicken breasts; spinach fettuccine; orange-glazed sweet potatoes; rice medley; herbed peas and mushrooms, and mixed vegetables, preceded by vichyssoise and chicken Calcutta soups.

The core of this one meal was preceded by a 12-variety mountain of select cheeses; a cornucopia of fruits, cold meats and pâtés; nearly two dozen kinds of fresh breads and rolls, and a 23-item salad bar offering such selections as pickled herring and marinated artichoke hearts.

Sumptuous fresh pastries and a complete variety of beverages, including wines, filled out the night's offering, typical of the breadth of each day's menu in every one of the nine major dining facilities.

But not even all that variety was enough to suit the tastes of some of the ravenous athletes who had come here from the world over.

France and Italy held true to their national reputations for exalted gastronomy by sending specialized team chefs along with their athletic contingents. With one condition imposed by ARA, the Italian team chefs, Mauro Mazzi and Carmine Gandolfi, quickly got to work whipping up meat and pasta specialties, including risotto, polenta and spaghetti Bolognese. ("We must have our pasta and steaks," said one Roman wrestler.)

"Our only rule is that whatever the Italians cook, they have to make enough for all the teams in that dining hall," explained ARA's Faye Clarke.

Henri Cortin, chef of France's National Olympic Committee, restricted his participation to supervising the ARA cooks. Cortin qualified the foods ARA dished up as "very good; we have no criticisms."

One problem, he confided, was the absence of french fries. "And Americans cook their steaks too well done, not *a point* [i.e., just done, or medium rare] as the French prefer."

Italy's athletes got another taste of home cooking, Beverly Hills style, when film producer and restaurateur Dino DeLaurentis hosted a party for them at his lavish DDL Foodshow restaurant/market.

The French yachting team, in town several weeks early for pre-Games training, quickly found its gastronomic bearings on dry land. "They're regulars here for late dinner," said Patrick Terrail, proprietor of Ma Maison. Among other teams, Terrail also hosted the Colombian swim team for lunch, and was set to throw a gala feast for the entire 150-athlete French team on Aug. 10.

Other culinary icons of Los Angeles, like Spago and the Hard Rock Cafe, also saw their share of the many Olympic athletes who made their own arrangements to explore the Los Angeles dining landscape.

Wendy Langon, an Australian team coordinator, praised the mustard-slathered Dodger Dogs she and her colleagues from Down Under consumed while watching the Dodgers in action at Chavez Ravine.

Langon also liked the variety ARA provided back at the Olympic Village. "You've got such an enormous choice; there's no way you could taste everything," she said, vowing however that before leaving Los Angeles she would munch her first taco, from the 24-hour, 1,300-seat Baron's Bistro tent-kitchen operation at the USC village.

Interstate United, Ogden reap share of Olympic bonanza

By Don Jeffrey

LOS ANGELES — Even though ARA got all the publicity and prestige in its role as official food-service contractor to the U.S. Olympics, the summer events in Los Angeles were a financial bonanza for the major food-service companies like Interstate United and Ogden that have long-term contracts at Olympic facilities.

Interstate was the biggest winner, according to reports, serving an estimated 1.5 million people at its contract site, the L.A. Memorial Complex and Sports Arena, which held all track and field and boxing events and the opening and closing ceremonies.

Ogden served an estimated 700,000 in its two contract sites: The L.A. Convention Center, which was the nerve network for thousands of journalists, and The Forum, where 34 basketball and team handball games were played.

Both companies said they substantially renovated or increased food-service facilities to accommodate the anticipated crowds.

Interstate, with financial help from the Coliseum Commission and the Olympic Committee, upgraded and built new concession stands, increasing points of service at the Coliseum from 250 to 375 and at the Sports Arena from 42 to 75.

Spokesman Sheldon Silver said, "This was the largest food and beverage concession in the shortest amount of time in the history of the company."

Interstate has had the contract there since 1977, handling events like L.A. Raiders and Express football games and concerts by groups like the Rolling Stones.

For the Olympics and the Olympic trials, Interstate hired 2,500 to 3,000 new employees. Silver said an estimated 1.2 million hotdogs, 1.1 million cups of beer, and 160,000 boxes of popcorn were sold.

But at the L.A. Convention Center the mix of food-service locations operated by Ogden included a snack bar, cafeteria and a tablecloth restaurant.

Ogden manager Mike Fleming said facilities were renovated in a joint venture with the city. Reporters and media technicians used the Coliseum as their base of operations.

At The Forum in nearby Englewood, where Ogden has a 15-year contract, Olympic food-service revenue was estimated at $1.5 million.

As at the other Olympic facilities, double events were sched uled many days at The Forum, each requiring separate admission. General manager Harold Zoubul said that for the morning events Ogden provided breakfast items such as sausage and egg croissants and bagels. In addition to the concessions inside the facility, he had refrigerated trailers and stands set up outside to accommodate early arrivals for the later events. The Forum Club, a tablecloth restaurant, was used by the press, club members, VIP's, and Olympic families.

In addition to these two large food-service companies, other contractors, such as Servomation and the Williams Brothers, ran concessions at sites outside Los Angeles.

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CHAIN ANALYSIS/PART II

Menu mix study: fast feeders gain—Pp. 63-79

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SEAFOOD SPECIALS
TODAY'S SPECIAL
Fresh Salmon Quiche
WINE SPECIAL

The use of blackboards is one inexpensive method operators have discovered for announcing off-the-menu specials.

Off-the-menu specials soar as margin, promo boosters

But higher-priced offerings could alienate customers

By Charles Forman

Off-the-menu specials are sweeping into use in restaurants of every description, from midpriced downtown luncheon pubs to candle-lit suburban white-tablecloth operations.

Operators say popular interest in novel foods, patrons' desire for freshness—and, more than anything else, the public's growing romance with the dining-out experience—are making specials proliferate as a strong marketing technique.

Many say two-thirds or more of their lunch and dinner entrées are ordered from off the menu.

But a storm is brewing, too, threatening to erode the reputation of restaurants that offer specials and creating vociferous disagreements within the industry over the best way to present off-the-menu items.

Concerned restaurateurs point to a swelling chorus of customer grumbling that has greeted the attempts of less scrupulous—or knowledgeable—operators to enhance their image and their margins with specials.

Complaints run the gamut, from annoyance at lengthy and ofttimes incomprehensible recitations by servers, to accusations of intentional cheating.

A well-known Philadelphia restaurateur recently expressed outrage at what he considered unconscionable overpricing at a New York landmark operation.

"I ordered an appetizer from the specials, and when the bill came, it was four times the price of the appetizers on the menu!"

A few operators say they're going to do something about these situations.

At Eugene's in Chicago, proprietor Gene Sage for six weeks has been having servers present guests with a card from which they can peruse daily specials—and prices—at their leisure.

At La Poêle D'Or, a new Fort Worth, Tex., restaurant with a French Provincial menu, daily

(Continued on page 146)

Pizza Hut buys 45-unit Golden Bear chain

WICHITA, Kan. — Pizza Hut has acquired Montgomery Ward's 45-unit Golden Bear family-restaurant chain for more than $10 million.

Virtually all of the units are expected to be converted to company-owned Pizza Huts before the end of the year.

Most are located in the expansive Chicago Metropolitan Area, which means that Pizza Hut will dramatically increase its presence in that important market. Before the purchase it operated or franchised 78 stores there. After the conversions there will probably be 123.

For the Chicago-based department store chain, this represents the final divestiture of its restaurant properties. Divestiture began several years ago when the company sold its Putsch's Restaurants in the Midwest.

It has been reported that Montgomery Ward's parent, Mobil, wanted the restaurants sold.

Pizza Hut spokesman Mike Jenkins said that the Golden Bears would be converted to pizza parlors for about the same cost as the conversions of Sambo's to Pizza Huts, estimated at $100,000 to $180,000 each.

Thirty-six of the acquired restaurants are in Illinois, nine in Indiana. Two are operated under the name Jose D. McMillan's.

Jenkins said, "This will give

(Continued on page 146)

NRN *honors a 'living legend'*

Schoenbaum named Pioneer of the Year

Alex Schoenbaum

By Charles Bernstein

CHARLESTON, W. Va. — Alex Schoenbaum, a living legend who has boosted the foodservice careers of countless young people and executives and contributed to innumerable causes, has been chosen *Nation's Restaurant News'* 1984 MUFSO Pioneer of the Year.

This special award will be presented at the annual Multi-Unit Food Service Operators (MUFSO) conference awards banquet in Dallas' Loews Anatole Tuesday evening, Oct. 2. Friends and guests representing the many phases of Schoenbaum's career will be at the banquet at which 1,000 people are expected to honor him and the six MUFSO Golden Chain Award winners along with the MUFSO Operator of the Year.

In winning the coveted MUFSO Pioneer Award, Schoenbaum, 69, joins select company. Only two people have won previously—J. Willard Marriott Sr. and the late Ray Kroc.

"Always give back to the industry and the community something of what it has given you" has been Schoenbaum's guiding principle from Day 1. He has won the admiration and friendship of hundreds of restaurant people in the trenches and ranging to the very top executive suites.

On any typical day here at his Charleston home, or at his Sarasota winter home, the industry patriarch's phone rings off the hook with calls from friends and associates all over the country and the world.

Still senior chairman of Shoney's Inc. and a prime reason why this diversified restaurant company (Shoney's restaurants, Captain D's fast-food seafood and Famous Recipe chicken) has racked up an unprecedented 100 consecutive quarters of earnings increases, Alex gives freely of his advice to all who ask and to Shoney's co-

(Continued on page 146)

LATE NEWSBREAKS

McDonald's will open 40 units on U.S. Navy installations under terms of a competitive contract won by the giant burger chain. The eventual number of Navy-base McD's may reach 300 under an option in the 10-year deal. Burger King is the franchisee for the Army and Air Force Exchange Service with 185 units planned at Army and Air Force bases.

Prime Motor Inns, operator of 44 motels in the Northeast, is making a $212 million bid to acquire major Holiday Inns franchisee American Motor Inns.

Casa Gallardo, General Mills' 34-unit Mexican dinnerhouse chain, is pushing to mainstream its menu with entrée replating and menu item name changes. The most recent change is a switch from the "tacos al carbon" platter to steak tacos.

Plagued by declining ShowBiz Pizza business, Brock Hotels Corp. reported a $1.2 million net loss on a 5% drop in revenues to $75 million for the second quarter ended June 29.

Monterey's Hammerheads: food merchandising mecca

By Richard Martin

MONTEREY, Calif. — While the nation's diners and foodservice strategists continue their endlessly symbiotic search for novelty and quality, California culinary circles continue dishing up plenty of inspiration.

A masterfully merchandised menu mix of roast duck and oakwood-grilled meat specialties, along with a lavish "chocoholic" dessert buffet, has catapulted restaurateur Glenn Hammer's new Hammerheads dinnerhouse concept here into the fine-dining limelight.

In the six months since it opened in a restored firehouse (Monterey's first, circa 1897), Hammer has shown off the fine-dining savvy one might expect of the former general manager of Restaurants Central here, the parent company of the *Nation's Restaurant News* Hall of Fame Sardine Factory.

"What I've done with Hammerheads is give Monterey its first 'city' restaurant," Hammer says, describing the walk-in-off-the-street accessibility, the casually sophisticated ambience and the urbane menu style that have attracted a broad cross section of Monterey society to his 105-seat downtown spot a few blocks from the wharf.

In a teal-blue, gray and peach setting of plush, couchlike banquettes and oaken tables forming a fusion of the contemporary and the antique, Hammerheads' diverse array of meal possibilities is attractively showcased.

As the chocoholic bar beckons with its postprandial titillations, diners at Hammerheads scan a four-part menu (duck, barbecue, steak and seafood) structured to satisfy a diversity of tastes.

Twice-cooked duck items—half birds first oven-roasted, then broiled and sauced—come in five styles, priced from $13 to $15. Choices include honey-almond; raspberry (from an imported French liqueur); Oriental (Peking style with mu-shu pancakes, hoisin sauce and scallions); triple peppercorn (with a red, black and green peppercorn sauce) and plain.

An 8-oz. rib steak with any one-fourth duck is $15.95, and an item called Mr. & Mrs. Duck offers a duck split and served in any two styles for $14.95.

(Continued on page 146)

Cutters: A new 'order anything' menu test

Restaurants Unlimited diversifies

By Richard Martin

SEATTLE — Cutters, the stylish new combination of American bar, brasserie, restaurant, gelateria, bistro and café concocted by Restaurants Unlimited, seems to defy with impunity the hazards of overdiversification.

Promoting itself as "the go anytime, order anything restaurant you've been waiting for," Cutters seems to want to be all things to all people. It also seems it consistently provides its increasingly loyal clientele (including many upscale "yuppie" gastronomes) with an eclectic, loosely structured array of specialized dishes and libations of a breadth unlikely to be found in almost any other single restaurant in the country.

First-year sales of about $2.7 million in the prototype Cutters opened here last August, and a $3-million-plus annual sales pace attained by the six-month-old Cutters in Santa Monica, Calif., appear to validate 16-year-old Restaurants Unlimited's strategic shift from standard-brand dinnerhouses to this more complex, risky kind of operation.

A potential operating profit of about 10% at the unit level—some three or four points above the company's norm—lends a further endorsement to RU's adventure in dining diversity.

Upon entering a Cutters, the senses of diners are assaulted with an abundance of possibilities. The smell of fresh garlic wafts out of exhibition ovens in the entryway market-deli area, where the olive oil-basted Italian pan bread, *focaccia*, is continuously produced to accompany entrées.

A little farther on, neon script announcing "espresso" and "varietal wine" heralds the impressive bar operation, replete with a nitrogen-displacement wine dispenser, fresh-juice squeezers, an imported espresso machine and a huge mirrored back bar showcasing an encyclopedic lineup of beers, single-malt Scotches, Cognacs and other alcoholic exotica.

In the first Cutters, a successful hybridization of subtle Art Deco and techno-modern design elements is attractively punctuated by a large L-shaped view kitchen with waist-high counters for unobstructed visibility by diners.

Hawaii's answer to mesquite—the pungent, super hot-burning kiawe wood—is flown in to fire Cutters' broiler, on which a select variety of "guaranteed" fresh seafood and shellfish rarities from the Pacific Northwest and the Islands is cooked.

Elsewhere on the cooking line, elaborate salads are tossed; fresh, housemade pastas are dressed; sashimi and carpaccio are sliced; Japanese noodles are garnished; Korean sesame barbecue ribs are marinated; rack-raised oysters are shucked; goat cheese-and-sun-dried-tomato pizza is baked; rock-salt roasted prime ribs are carved, and escargots are sautéed with prosciutto, garlic and onion, then plumped onto a pumpernickel crouton, just as at Café des Artistes in New York City.

In fact, Cutters' 75-plus item, pan-ethnic lunch and dinner menus (each with accompanying fresh sheet) take the truth-in-menu ethic to new heights, giving explicit credit to several dozen recipe and product sources and inspirations.

With fresh fish, salads, pastas and ethnic items among its biggest sellers, Cutters brings in an average per-person check of $6.75 at lunch and $12.50 at dinner, including about 30% in bar items.

Two Culinary Institute of America grads, the Seattle Cutters' chef Garrett Cho and the Santa Monica unit's chef John Schuberg, work hard to maintain high-volume stan-

(Continued on page 145)

This, according to Cutters' self-promotion, is the "go anytime, order anything restaurant you've been waiting for."

COMMODITIES

Dairy surge is over; seafood prices level off

NRN Special Report

In an unexpected move, dairy prices zoomed during late June and early July, running up the cost of butter at dairy dockside by nearly 10%. Agricultural economists give several reasons for the tight supplies that triggered the price hike. One is that the Federal Dairy Diversion Program, which was aimed at reducing production, has been successful. Milk production this year is down by 3%.

Farmers under the Government plan are selling off low producers, but overall production per cow has been dropping—even though only slightly—despite the express intention of farmers to get rid of their lower producers. There has, in addition, been a demand for dairy products for export, which has cut into domestic supply.

To end the run-up, the Department of Agriculture dug into its surplus and sold butter and cheese back to manufacturers. And that Federal surplus is down 32% from last year!

Expect higher cheese prices across the board. Kraft raised the price of "natural" cheeses in May by 3%, the first rise in more than a year and a half. Other producers have raised their prices or are considering doing so.

This year's shrimping in the Gulf of Mexico, both for American and foreign boats, appears to be in better shape than during the past several years. The price of both brown and white shrimp has been inching downard for the past month or so. In July alone, the price at freezers' docks dropped by 20¢ per pound. That's less than 3%, but the trend appears downward.

Seafood in general seems to be moderating in price. Though there are some glaring exceptions, such as for Alaska crab, many prices are down at the primary manufacturing level, but some drops may not have made it through the distribution chain.

The supply of scallops is up by 72%. There are good supplies

(Continued on page 145)

PRICE MOVEMENT AT A GLANCE

	Aug. 3, 1983	July 3, 1984	Aug. 3, 1984
Beef, Choice, 700-900 lb., Midwest (lb.)	$ 0.95	$ 1.02	$ 0.99
Broilers, Grade A dressed, icepack, NYC (lb.)	$ 0.5740	$ 0.6577	$ 0.5614
Butter, Grade AA, Chicago (lb.)	$ 1.47	$ 1.6075	$ 1.48
Ham, canned Polish, 11 lb. up, NYC (lb.)	$ 1.54-1.59	$ 1.77	$ 1.84
Lettuce, iceberg, Calif. (24s)	$ 4.00-5.00	$ 3.50-4.00	$ 7.00-8.50
Onions, large yellow Spanish-type, Texas (50 lb.)	$ 6.00-7.00	$ 6.50-7.50*	$ 9.00-10.00
Pepper, black, NYC (lb.)	$ 0.72	$ 0.98	$ 0.97
Pork loins, Choice, 14-17 lb., Midwest (lb.)	$ 0.95	$ 1.03	$ 1.07
Shrimp, brown, frozen, 16-20 count, Gulf Coast (lb.)	$ 7.40	$ 7.30	$ 7.10
Tomatoes, Choice, peeled, Calif. (6/10)	$12.75	$13.00	$12.00-12.75

Source: *NRN Research* *New Mexico

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

T.G.I. Friday's lightening menu by dropping slow-selling items

DALLAS — Searching for ways to adjust to lower liquor sales and the probability of little future growth potential in inflation-adjusted same-store sales, T.G.I. Friday's is streamlining and lightening its broad menu.

Company president and chief executive officer Daniel R. Scoggin told a gathering of New York security analysts recently that the move to a new array of finger foods and trendy dishes will complement the evolving taste preferences of the chain's customer base.

Meanwhile T.G.I. Friday's critical beverage sales percentage had been slipping in recent years, from 40% of sales in 1980 to 36% last year. But Scoggin said the 36% figure should remain stable this year.

In addition, the company has had problems pushing up per-unit sales. Same-store sales actually fell from $3.6 million annually to $3.34 million last year.

Analysts say the company will have to look to new units and its other concepts, Dalt's and Fast Friday's, for significant sales and bottom-line gains.

The 90-unit, $270-plus million casual theme restaurant/bar chain was spun off last December from Carlson Companies Inc. of Minneapolis and taken public.

"Our concepts [T.G.I. Fridays, Dalt's and Fast Friday's] are based on change. Today, that means lighter, more healthful foods like Oriental, Mexican and northern Italian dishes with lighter sauces—everything from gourmet pizza, shrimp salad, croissant sandwiches and iced tea to red wine and fettucini Alfredo," said Greg Dollarhyde, T.G.I. Friday's vice president of finance. "The whole idea is to have a broad enough product mix to pull in people from all walks of life."

As T.G.I. Friday's and its spinoffs continue to adapt to a changing marketplace comprised of young, urban adults coast to coast, its financial outlook seems rosy. Fiscal 1984 net profit for T.G.I. Friday's, Dalt's and Fast Friday's is up an aggregate 9.6% to $11.4 million and operating profit, which constitutes 17.4% of sales, increased 6.3%, from $39.5 million in fiscal 1983 to $42 million in 1984. Revenue and systemwide sales have also climbed.

The company plans to add 20 T.G.I. Friday's this year and next, eight to 10 Dalt's—a 1940's-style bar and grill concept—and will continue test marketing Fast Friday's, a 90-seat, Dallas and Oklahoma City-based concept with food and eclectic motif inspired by T.G.I. Friday's.

(Continued on page 146)

MARKET UPDATE

All-time stock market rush ups gainers by losers, 5-1

NEW YORK — Reflecting a record stock market rally that pushed up the Dow Jones index about 100 points to break 1,200, gainers outnumbered losers by almost 5 to 1 on the *Nation's Restaurant News* stock list (page 4).

There were 69 winners, 14 losers and 7 unchanged.

Ponderosa was the leading loser, dropping $2.75 to close at $18.25 after analysts trimmed earnings estimates because of high food costs in the company's new breakfast bar program. The company plans to raise prices, and analysts still support Ponderosa's strategy.

American Motor Inns, among the top gainers, closed at $18.88, up $4.38, after Prime Motor Inns proposed a takeover. The initial $18-per-share bid was raised to $19.50.

Among the other volume leaders, McDonald's added $5.63 to close at $77.75. Joan B. Kroc, founder Ray Kroc's widow, reported she and her trusts had sold some holdings, reducing her stake to 10% from 11%.

Wendy's closed at $19.50, up $1.38 on favorable earnings news.

New York-based Fast Food Operators Inc. led the percentage gainers list with a 56¢ jump to close at $1.56, rising from its 52-week low. Hungry Tiger advanced $1.75 to $6.50. G. D. Ritzy's rose $1.25 to $6. Miami-based Captain Crab was up 38¢ to $2.

Among the leading losers was Calny, a Taco Bell franchisee, down 75¢ to $8.50. Victoria Station Inc. lost 38¢, falling to $6.50. Concept Development fell 75¢, declining to $15.50. ARA Services fell $2, closing at $50.25.

Among some widely held issues, Diversifoods was up $1.75 to $13.75. Chi-Chi's rose $2.50 to $17.75. Church's advanced 38¢ to $27.

N.J. legislators move to abolish the 'happy hour'

By Ken Frydman

KEARNY, N.J. — New Jersey, one of the first states to mandate the 21-year-old minimum drinking law and the social host statute, may soon legislate another measure aimed at curbing drinking and driving.

State Alcoholic Beverage Control director John Vassallo is now preparing regulations to end the practice of "happy hour" liquor sales promotions—a move that would adversely affect many of the state's 10,000 restaurants and 7,000 taverns. According to New Jersey Restaurant Association vice president Nancy Kelly, 85% of the association's 3,000 member restaurants possess liquor licenses.

The proposed ban, the first in the country, would restrict promotions and advertisements offering half-priced drinks; cutrate discounting of drinks, sometimes below cost, during special times; and other inducements encouraging people to patronize restaurants and bars and consume more alcohol than they normally would.

Vassallo's move apparently was prompted by the limited

(Continued on page 145)

FOOD-SERVICE CHAIN STOCK ANALYSIS TABLE

69
Gainers
7
Unchanged
Losers
14

Volume leaders

Company Name	The Week's volume
Am Motor Inns	21,176
Wendys Intl	18,549
McDonald's Cp	15,699
PepsiCo Inc	13,412
Divfood	12,688

Top five gainers

Company Name	The Week's Volume	Latest Closing Prices	% Price Change Last Two Weeks
Fast Food Oper	881	1.56	+ 56.3
Hungry Tiger	699	6.50	+ 36.8
Am Motor Inns	21,176	18.88	+ 30.2
Ritzys G D	460	6.00	+ 26.3
Capt Crab Inc	1,015	2.00	+ 23.1

Top five losers

Company Name	The Week's Volume	Latest Closing Prices	% Price Change Last Two Weeks
Ponderosa Sys	7,063	18.25	– 13.1
Calny Food	39	8.50	– 8.1
Victoria Stations	200	6.50	– 5.5
Concept Dev	166	15.50	– 4.6
ARA Services	2,823	50.25	– 3.8

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended August 8							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change					Indicated Dvd. rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
					Change		52-Week																				
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
A&M Food Svcs	AMFD	5.38	4.75	5.00	.25	5.26	8.75	4.00	-.58	-2.30	1.67	20.28	.40	.39 S	NC	6.0	4.3	12.8	.00	.0	00-00 00	25.4	1.1	2.5	1.21	2.19	1283
Acapulco Rest	ALAR	5.00	4.13	4.75	.63	15.15	7.00	3.88	-.45	-1.10	3.54	-55.25	-2.05	-1.90 S	-117.6	-74.0	-12.9	NE	.00	.0	01-06-81	37.9	-4.9	1.8	6.37	1.01	1083
Alleghy Bev	ABEV	15.63	15.25	15.63	.38	2.46	18.75	12.69	.16	-.36	-3.97	-17.11	1.67	.18 Q	12.0	39.0	2.1	9.3	.40	2.6	04-06-84	526.1	10.8	1.8	30.14	9.98	1283
Am Motor Inns	INN	19.00	14.13	18.88	4.38	30.17	19.00	12.50	.63	3.02	13.83	-23.81	1.26	.01 S	.8	34.0	8.6	16.6	.15	.8	05-21-84	162.5	13.9	1.8	6.02	7.95	0783
ARA Services	ARA	52.00	46.00	50.25	-2.00	-3.83	55.75	40.25	.16	-.17	1.50	-23.55	4.37	1.21 Q	36.7	-3.0	1.7	11.2	2.10	4.2	05-25-84	3056.6	52.0	1.1	23.29	46.15	0983
Assoc Hosts	AHST	12.75	11.63	11.88	-.25	-2.06	17.50	10.50	-.22	-2.21	-5.09	16.14	.72	.46 S	115.0	1.0	3.6	13.8	.12	1.0	06-05-84	88.3	3.2	1.3	5.25	5.71	0983
Beefsteak Char	BCS	3.38	2.63	3.13	.50	19.05	7.13	2.63	-.41	1.93	-.81	-6.33	-1.30	-2.34 Q	-285.3	-53.0	-7.0	NE	.00	.0	00-00-00	95.2	-6.7	1.7	3.13	3.54	1083
Bob Evans Farms	BOBE	17.50	16.25	17.25	.25	1.47	25.19	14.75	.27	-.53	-7.70	6.19	.89	.14 N	16.8	21.0	7.5	17.8	.30	1.7	08-06-84	187.5	14.1	3.0	.00	5.54	0483
Brock Hotel Cp	BHC	5.63	4.50	5.00	.38	8.11	8.50	4.38	-.22	-.69	-.03	5.41	.17	-.01 Q	NC	-14.0	.7	NE	.10	2.0	07-05-84	319.8	2.2	.8	15.66	4.47	1283
Calibre Cp	CLBR	4.25	3.75	4.25	.25	6.25	11.75	3.25	.12	1.95	-5.47	-13.89	.07	-.20 S	NC	-67.0	3.2	NE	.00	.0	00-00-00	6.3	.2	.9	.60	2.12	0783
Calny Food	CLNY	8.75	8.50	8.50	-.75	-8.11	10.75	7.25	-.25	-1.11	-4.91	-46.67	.52	.07 F	15.5	3.0	4.8	16.3	.16	1.9	08-08-84	43.6	2.1	1.3	.66	3.76	0284
Capt Crab Inc	CRAB	2.25	1.88	2.00	.38	23.08	8.38	1.63	-1.41	-3.49	-.42	-10.80	.00	.00 Q	NC	NC	.0	NC	.00	.0	00-00-00	1.5	.0	7.5	.01	.29	0883
Carrols Cp	CRL	9.00	8.13	8.75	.50	6.06	11.88	7.13	-.35	-.04	1.61	19.68	.50	.26 Q	83.8	99.0	3.7	15.4	.05	.6	12-23-83	84.2	3.1	.8	3.66	2.42	0583
Chi-Chi's	CHIC	18.00	14.75	17.75	2.50	16.39	29.00	12.50	-.47	1.91	2.80	-8.65	.66	.26 F	65.0	121.0	10.3	26.9	.00	.0	09-28-83	161.7	16.7	2.6	1.87	1.62	0483
Chilis Inc	CHLI	17.50	17.00	17.25	-.50	-2.82	18.38	12.75	1.03	-1.14	3.05	18.72	.29	.17 N	NC	2.0	6.4	NM	.00	.0	00-00-00	31.2	2.0	1.3	1.82	.63	0683
Ch Full O Nut	CHF	10.50	9.00	9.75	.50	5.41	20.41	8.50	-.74	.17	-1.58	-10.20	.62	-.18 N	-32.7	-6.0	2.9	26.4	.48	4.9	06-29-84	111.6	3.2	2.9	.33	6.50	0783
Churchs Fr Ch	CHU	30.50	26.00	27.00	.38	1.41	32.50	21.25	.00	-.73	.65	31.70	1.66	-.62 Q	-28.0	.0	6.8	17.0	.80	3.0	07-23-84	464.1	31.6	1.8	.62	11.74	1282
Collins Foods	CF	21.13	18.00	20.88	2.50	13.61	21.63	14.75	.10	1.61	4.22	14.81	1.47	.30 N	21.4	27.0	3.8	12.3	.20	1.0	06-21-84	324.4	12.4	1.8	4.14	8.71	0483
Concept Dev	CDII	15.75	15.25	15.50	-.75	-4.62	17.69	11.63	-.05	-.42	-3.09	35.19	.06	.46 S	NC	86.0	1.3	33.7	.00	.0	06-12-84	7.8	.1	1.0	.32	1.59	0683
Consul Corp	CNSL	9.25	7.50	9.25	.88	10.45	18.75	7.50	-2.09	3.02	6.23	41.95	.26	.14 N	70.0	39.0	2.5	27.2	.00	.0	00-00-00	32.0	.8	5.0	1.08	5.67	0583
Cracker Barrel	CBRL	23.00	20.25	23.00	3.00	15.00	25.75	15.75	.18	2.54	1.59	17.05	.86	.06 N	6.8	24.0	4.4	24.7	.14	.6	06-04-84	45.7	2.0	4.1	2.64	7.33	0783
Denny's Inc	DEN	41.00	37.50	38.50	-.75	-1.91	41.38	29.00	-.13	-1.86	-.68	32.85	2.54	.26 N	10.3	12.0	3.8	13.8	.72	1.9	06-05-84	1054.6	40.2	1.7	17.92	17.17	0683
Disney, Walt	DIS	56.63	52.75	55.50	1.63	3.02	68.50	45.25	.67	-.70	-3.23	-3.54	2.70	.21 N	7.3	-3.0	7.1	18.2	1.20	2.2	06-07-84	1307.4	93.2	1.4	10.04	40.58	0983
Divfood	DFDI	14.25	11.88	13.75	1.75	14.58	21.88	10.50	.02	-.26	-.11	.41	.99	.23 S	24.7	68.0	6.8	11.9	.17	1.2	06-22-84	484.3	32.9	2.1	.55	1.99	1282
Dunkin Donuts	DUNK	26.25	22.38	25.13	2.75	12.29	26.25	18.13	.56	1.35	4.30	42.24	1.62	.23 S	15.1	24.0	10.2	14.4	.32	1.3	08-13-84	77.5	7.9	.9	5.93	9.56	1083
El Torito Rest	ET	13.38	10.50	13.00	2.38	22.35	13.38	9.00	.66	2.93	4.38	8.73	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Fast Food Oper	POPI	1.56	1.00	1.56	.56	56.25	3.75	1.00	.44	10.86	.78	16.89	.06	.01 F	20.0	59.0	4.9	26.0	.00	.0	00-00-00	6.1	.3	.7	.02	.41	1283
Flakey Jakes	FJAK	7.63	6.75	7.63	.63	8.93	9.13	4.00	-.74	1.66	-1.62	11.07	-.15	-.15 Q	NC	NC	-23.1	NE	.00	.0	00-00-00	2.6	-.6	2.0	.27	1.02	1283
Frisch's	FRS	32.00	30.50	31.00	.00	.00	32.94	22.25	.50	-1.26	-5.24	-45.19	1.85	.75 N	51.3	22.0	3.7	14.0	.40	1.3	06-27-84	110.6	4.1	1.3	5.73	14.56	0583
Fuddruckers Inc	FUDD	11.63	10.13	11.63	1.00	9.41	17.50	9.25	-.35	.43	-.92	-29.26	.06	.02 Q	NC	7.0	2.0	NM	.00	.0	00-00-00	10.0	.2	4.9	.56	1.26	1283
Garcias Scot	GMEX	4.88	4.13	4.75	.13	2.70	11.00	4.00	-.62	-.49	.71	-12.16	-.48	-.09 Q	NE	1.0	-6.1	NE	.00	.0	00-00-00	36.2	-2.2	.9	.55	3.61	1283
Gen Mills	GIS	55.75	50.25	54.13	3.00	5.87	57.00	41.63	-.05	.37	1.35	4.07	4.98	.09 F	1.8	15.0	4.2	10.9	2.24	4.1	07-03-84	5600.8	233.4	1.2	9.71	25.68	0583
Good Taco	TACO	3.13	2.50	3.00	.38	14.29	7.38	1.50	.43	3.27	-6.08	32.47	-.72	-.39 Q	NE	-63.0	-187.5	NE	.00	.0	00-00-00	.8	-1.5	8.7	.04	1.56	0284
Hambrg Hamlet	HAMB	11.25	11.25	11.25	.00	.00	12.00	9.50	.00	-.56	7.23	31.25	1.54	2.64 F	NE	-14.0	3.1	7.3	.00	.0	00-00-00	35.5	1.1	1.0	20.86	11.96	0383
Hilton Hotels	HLT	51.75	46.63	50.38	4.00	8.63	59.50	45.50	-.12	-.12	1.12	34.63	3.20	.30 S	10.2	-1.0	14.0	15.5	1.80	3.6	08-31-84	611.6	85.9	2.6	9.06	23.73	1283
Holiday Inns	HIA	45.50	40.63	43.13	2.50	6.15	57.25	37.25	.05	-.73	-5.21	7.43	3.28	.41 S	14.1	12.0	7.8	13.1	.90	2.1	06-11-84	1585.1	124.4	.7	12.90	27.76	1283
Horn & Hardart	HOR	15.38	12.38	14.75	2.38	19.19	27.97	11.25	-.83	2.09	.47	4.08	1.15	.37 Q	46.8	71.0	4.0	12.7	.00	.0	11-25-83	339.7	13.5	1.1	3.16	8.20	1283
Hungry Tiger	HTIG	6.50	4.75	6.50	1.75	36.84	10.75	4.25	-.15	5.15	5.02	38.36	.00	-.81 S	-120.8	-17.0	.0	NE	.00	.0	11-15-82	63.8	.0	.9	4.75	3.66	0883
Intl Dairy Queen	INDQ	39.50	39.50	39.50	.00	.00	40.00	29.50	-.05	-.57	2.14	28.85	2.94	.81 Q	35.3	57.0	6.2	12.7	.00	.0	00-00-00	115.7	7.2	1.0	11.31	7.21	1183
Int King Tab	IKNG	18.13	15.00	17.75	2.50	16.39	23.00	12.50	.12	2.00	5.46	12.55	1.40	.48 F	52.1	74.0	4.9	12.7	.00	.0	08-15-83	78.2	3.8	.4	5.16	3.18	0683
JB's Rest	JBBB	14.00	12.50	13.75	1.50	12.24	17.00	10.38	.27	.00	3.90	31.46	1.00	.07 N	6.7	20.0	4.1	12.4	.20	1.5	05-07-84	53.3	2.2	1.0	5.17	7.42	0983
Jerrico Inc	JERR	17.25	14.50	16.75	2.25	15.52	20.63	11.88	.49	.39	2.98	-3.75	1.33	-.08 N	-6.0	16.0	4.6	13.4	.12	.7	05-07-84	452.1	21.0	1.8	5.03	10.28	0683
Kapok Cp	KPK	3.25	2.88	3.13	.13	4.17	8.75	2.88	-.26	.00	-2.93	18.75	-1.29	-.92 F	NE	-52.0	-22.0	NE	.00	.0	00-00-00	12.3	-2.7	.7	1.74	2.45	0983
Kelly-Johnston	KEJO	4.00	3.50	3.88	-.13	-3.13	17.50	3.50	-1.11	.34	.96	-7.26	.40	-.31 N	-75.6	16.0	6.3	38.8	.00	.0	10-13-82	38.0	2.4	4.0	3.29	4.41	0383
Karcher Carl	CARL	29.63	25.00	27.75	2.25	8.82	43.75	18.75	.48	-1.39	3.69	18.01	1.32	.34 S	28.5	23.0	4.0	18.1	.00	.0	02-16-83	231.0	9.3	2.4	8.31	8.13	0183
Luby's Cafe	LUB	37.50	33.25	37.00	4.00	12.12	39.75	31.50	.12	.16	3.30	19.50	1.53	.31 N	20.9	27.0	9.8	20.7	.60	1.6	06-04-84	141.4	13.9	1.6	.60	7.80	0883
Marcus Corp	MRCS	14.50	12.38	14.13	1.38	10.78	14.88	11.38	.33	-.46	6.53	-22.00	1.28	.13 N	10.6	6.0	6.1	10.5	.28	2.0	07-10-84	108.9	6.6	1.2	2.72	11.07	0583
Marriott Corp	MHS	76.25	67.25	72.75	5.38	7.98	77.50	58.50	.05	-.05	-1.95	-7.27	4.15	.80 S	21.5	30.0	3.8	16.1	.44	.6	06-18-84	3036.7	115.2	.8	39.87	23.37	1283
Maverick Rest	MAVR	6.13	5.25	6.13	.88	16.67	7.00	4.13	.42	2.73	-4.06	-9.27	.13	.15 Q	NC	98.0	9.5	40.8	.00	.0	00-00-00	6.3	.6	2.3	.06	.82	0184
McDonald's Cp	MCD	79.00	71.00	77.75	5.63	7.80	79.00	55.75	.29	1.12	2.49	16.88	5.74	.78 Q	15.2	23.0	11.2	13.2	1.16	1.5	07-24-84	3062.9	342.6	.0	.00	.00	1283
Morrison Inc	MORR	17.88	16.88	17.75	.75	4.41	20.75	13.13	-.03	-.30	-5.41	3.12	1.34	.14 N	10.9	13.0	4.5	12.5	.40	2.3	07-16-84	416.4	18.7	1.5	2.39	8.57	0583
Mr Steak	MSST	2.38	1.88	2.13	.25	13.33	3.47	1.88	-.29	1.21	-1.35	8.45	.15	.34 S	NE	-25.0	1.1	16.3	.00	.0	03-26-84	63.2	.7	1.3	1.34	1.42	0983
Nathans	NATH	2.38	2.25	2.38	.25	11.76	3.63	1.88	.27	.56	4.67	-8.33	.20	.17 Q	170.0	38.0	2.0	8.8	.00	.0	09-09-83	20.0	.4	.8	.05	1.79	0383
Naugles Inc	NAUG	10.13	8.13	9.75	1.63	20.00	24.25	7.25	-.03	.74	.92	14.00	.70	-1.71 N	-228.0	-26.0	3.6	NE	.00	.0	11-01-82	86.7	3.1	.8	6.57	4.96	0683
1 Potato 2	SPUD	7.75	7.50	7.50	.00	.00	12.50	7.50	-.48	-.61	-11.69	.81	.05	.73 F	NE	NC	1.1	NM	.00	.0	00-00-00	9.3	.1	1.2	.98	3.63	0284
Ogden Corp	OG	29.50	27.00	28.25	1.13	4.15	34.38	24.50	-.09	.10	-2.15	-25.55	2.64	.60 Q	30.1	-8.0	3.0	10.9	1.80	6.4	09-10-84	1727.8	52.5	1.9	15.29	18.87	1283
Pancho Mex Buffet	PAMX	8.00	6.38	8.00	1.38	20.75	8.88	5.88	.19	2.61	-2.58	-21.59	.43	.12 N	29.2	61.0	4.8	15.1	.10	1.3	09-08-83	25.1	1.2	1.2	.11	2.75	0983
Peoples Rest	PEPL	1.88	1.50	1.75	.25	16.67	13.38	1.25	-.16	.36	-5.18	23.44	.28	-.32 N	-160.0	115.0	7.5	NE	.00	.0	00-00-00	25.3	1.9	1.3	1.86	4.41	0683
PepsiCo Inc	PEP	44.88	42.88	43.25	-.63	-1.42	44.88	32.63	.07	-1.17	2.13	-7.89	3.01	.17 Q	5.7	3.0	4.0	13.9	1.68	3.9	06-04-84	7093.6	284.1	1.3	8.76	19.18	1283
Piccadilly Caf	PICC	24.00	22.00	23.75	1.75	7.95	24.00	12.75	.16	-.46	-1.44	-1.39	.99	.05 N	4.6	5.0	3.9	21.0	.60	2.5	06-04-84	152.7	6.0	1.6	.00	7.71	0683
Pillsbury Co	PSY	40.00	37.00	38.88	1.13	2.98	41.50	29.50	.13	-.99	-4.53	-32.20	3.29	.96 N	32.6	13.0	3.9	10.0	1.40	3.6	07-26-84	3685.9	143.0	1.4	13.22	22.10	0583
Pizza Inn	PZA	12.13	9.38	11.75	1.63	16.05	15.75	8.38	-.15	2.91	-4.13	-3.26	1.14	.38 Q	53.5	30.0	2.5	10.8	.08	.7	07-17-84	146.9	3.6	1.2	15.12	7.77	1283
Po-Folks	POFO	16.63	14.38	16.00	1.75	12.28	16.75	12.63	.19	1.59	2.41	-2.57	.37	.41 Q	NC	4.0	1.9	39.0	.00	.0	00-00-00	69.8	1.3	1.1	4.68	4.95	0983
Ponderosa Sys	PON	21.25	17.13	18.25	-2.75	-13.10	24.88	16.00	-.20	-.47	9.23	2.95	1.50	-.41 N	-25.7	-5.0	2.8	15.5	.40	2.2	06-06-84	376.7	10.4	.8	8.03	12.43	0283
Primo Inc	PRMO	2.63	2.50	2.63	.13	5.00	7.00	2.38	-.72	-.50	4.12	-.98	.11	.13 Q	NC	72.0	11.5	20.2	.00	.0	00-00-00	2.6	.3	1.6	.83	1.08	0983
Ramada Inns	RAM	7.25	6.13	7.13	.75	11.76	11.63	5.63	-.53	.90	-3.12	8.91	.13	1.48 Q	NE	-18.0	.7	12.7	.00	.0	10-19-81	573.8	4.2	.6	18.50	5.12	1282
Rax Restaurants	RAXR	15.75	13.50	15.50	1.50	10.71	21.50	12.50	-.42	1.10	-.45	.89	.57	.63 Q	NC	57.0	3.8	24.6	.00	.0	00-00-00	63.0	2.4	1.7	4.33	3.63	0783
Rest Assoc	RA	8.25	7.50	7.88	.25	3.28	9.50	6.50	-.23	-1.66	-11.53	-1.53	.88	.17 Q	25.0	23.0	1.9	9.3	.00	.0	00-00-00	118.9	2.2	1.0	3.98	7.15	1282
Rest Systems	RSYS	14.25	11.75	13.13	.63	5.00	14.25	9.00	.58	1.95	-1.07	9.10	.72	.75 Q	NC	19.0	4.7	17.5	.00	.0	00-00-00	29.6	1.4	1.8	1.21	5.19	1283
Ritzys G D	RITZ	6.25	4.25	6.00	1.25	26.32	12.75	3.50	-1.00	3.89	-1.85	2.21	-.17	.17 Q	NE	-25.0	-9.6	NE	.00	.0	11-25-83	8.3	-.8	.7	.17	2.29	1283
Ryans Fam Steak	RYAN	22.00	17.25	21.75	4.00	22.54	26.75	15.50	-.16	2.44	2.63	-21.79	.52	.27 S	71.0	59.0	10.8	33.5	.00	.0	04-20-83	19.5	2.1	8.2	.19	3.89	1283
Saga Corp	SGA	35.50	30.63	33.13	2.25	7.29	36.88	24.63	.36	.09	6.86	-7.69	2.10	.52 S	29.7	64.0	2.3	14.6	.44	1.3	08-20-84	978.8	22.4	.9	4.65	10.62	0683
Sandwich Chef	SHEF	7.75	7.00	7.75	.75	10.71	14.25	6.75	-.23	1.79	6.05	19.83	.70	-.17 N	-22.6	15.0	4.5	13.4	.00	.0	00-00-00	20.2	.9	1.5	.08	5.38	0683
Sea Galley	SEAG	9.00	8.38	8.88	-.13	-1.39	13.75	7.50	-.58	.42	-1.86	30.66	.23	.86 S	600.0	20.0	1.2	10.2	.00	.0	06-02-81	73.0	.9	.6	5.06	3.18	1283
Servico Inc	SRVI	21.00	19.00	19.00	-.75	-3.80	24.50	13.50	.27	-1.81	-5.33	36.44	1.19	.99 Q	180.0	21.0	2.5	12.3	.00	0	09-09-83	151.0	3.7	1.1	59.39	6.82	1283
Shoney's Inc	SHON	32.63	27.13	32.63	5.25	19.18	32.63	20.00	.46	1.56	1.03	28.07	1.17	.28 S	27.4	34.0	6.0	25.1	.16	.5	06-19-84	392.8	23.4	1.6	2.64	6.83	1083
Shoneys South	SHNS	19.25	16.75	19.25	2.13	12.41	20.50	13.75	.35	1.32	3.46	5.15	1.24	.45 Q	52.3	33.0	3.5	14.7	.00	.0	00-00-00	142.0	4.9	.7	3.51	8.76	1283
SIS Cp	SISB	5.75	5.00	5.75	.75	15.00	11.50	5.00	-.81	3.51	3.01	-23.08	.14	.13 F	300.0	65.0	4.4	41.1	.00	.0	00-00-00	4.5	.2	6.0	.97	2.65	1283
Sizzler Rest Intl	SIZZ	15.25	12.25	15.25	2.50	19.61	15.25	8.75	.23	2.30	3.77	46.49	1.01	.08 N	8.3	15.0	4.5	14.7	.00	.0	00-00-00	128.0	5.8	2.3	1.49	6.27	0483
Skippers	SKIP	9.00	8.00	9.00	.00	.00	13.50	8.00	-.54	-.51	2.40	-33.33	.81	.14 Q	20.8	26.0	4.0	11.1	.06	.7	04-02-84	50.5	2.0	1.3	1.84	6.39	1283
Sonesta Hotel	SNSTA	18.50	18.50	18.50	.00	.00	22.00	16.50	.03	-.55	-6.92	75.00	1.02	-.94 Q	-118.9	-17.0	2.3	NE	.30	1.6	06-04-84	73.4	1.7	.7	41.07	6.99	1283
So Hospitality	SHOS	5.00	4.25	5.00	.88	21.21	5.75	3.75	.39	3.16	-1.82	-25.87	.33	.06 F	22.2	90.0	4.2	15.2	.00	.0	00-00-00	35.7	1.5	.8	4.32	.24	0583
Consol Prdts	COPI	5.38	5.25	5.25	.00	.00	10.00	4.88	-.49	-.81	-5.92	-11.90	.29	.06 S	25.0	71.0	2.1	17.5	.00	.0	00-00-00	63.4	1.3	1.3	4.90	3.05	0983
TGI Friday's	TGI	11.75	10.25	10.75	-.13	-1.15	17.88	10.00	-.78	.36	4.42	-4.44	.65	.68 Q	NC	28.0	4.5	15.8	.00	.0	00-00-00	229.5	10.4	1.9	2.44	6.94	1283
TGIF Texas	TEXF	2.25	2.25	2.25	.00	.00	7.50	2.25	-1.80	-.58	-1.88	-16.67	.06	-.01 Q	NC	120.0	.0	NE	.00	.0	00-00-00	9.0	.0	.9	1.19	1.92	1283
Transworld	TW	31.00	25.63	29.00	2.50	9.43	33.53	17.81	.08	-.28	3.43	-17.03	1.30	5.38 S	538.0	77.0	3.2	4.5	.40	1.4	08-09-84	1889.2	60.2	1.2	7.79	13.90	1283
Vicorp Restaurants	VRES	18.75	15.25	18.75	3.25	20.97	22.00	12.88	-.20	3.49	6.91	32.04	.85	.41 S	65.0	57.0	5.1	18.0	.12	.6	03-23-84	93.8	4.8	1.0	6.03	5.30	1083
Victoria Stations	VSTA	6.75	6.50	6.50	-.38	-5.45	9.63	5.13	-.45	-1.48	-6.12	-13.89	-1.02	-.44 N	NE	-61.0	-7.1	NE	.00	.0	09-19-79	111.9	-8.0	.6	8.39	8.51	0383
Wendys Intl	WEN	20.50	17.63	19.50	1.38	7.59	20.50	10.97	.31	.23	2.15	-11.55	1.01	.19 Q	21.8	21.0	7.7	18.4	.24	1.2	08-06-84	715.1	55.2	.7	1.59	5.67	1283
Wstn Steer	WSMP	11.25	10.50	11.00	-.25	-2.22	13.50	9.00	-.39	-.77	-6.80	21.21	1.02	.07 Q	7.1	4.0	3.3	10.5	.16	1.5	06-05-84	36.1	1.2	1.6	5.02	10.04	0284

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

FINANCIAL NEWS

Family Entertainment Centers files Chapter 11 court petition

ROCKVILLE, Md. — Following the lead of the failing Pizza Time Theater, 13-unit Chuck E. Cheese franchisee Family Entertainment Centers has filed for court protection from creditors under Chapter 11.

The company claimed assets equal to its current liabilities in the court filing but appears drawn into the reorganization move by disagreements with its chief lender.

Meanwhile the Maryland-based franchisee has a proposed two-pronged turnaround strategy: to develop two concepts featuring so-called upscale hamburgers and to reposition the Chuck E. Cheese units to attract more teenagers and single adults.

Patrick Hopf, Family Entertainment's chairman, said, "We've lost a lot of battles, but we haven't lost the war. Now we have a strategic plan and have some breathing space to carry out the strategy."

Family Entertainment had made three agreements in principle to raise capital: two involved conversions of units to upscale burger restaurants, and one was the sale of units for cash.

One agreement would convert three Chuck E. Cheeses in Virginia to the new Colorado Cafe. Private investors would pay $1.1 million for 90% of the assets of the stores and commit $700,000 for the conversions.

In a second agreement, another group of investors would pay $200,000 to convert the base store in Rockville to another upscale burger concept, Cassidy's Market Fresh Cafe. They would own 50%.

Both Colorado Cafe and Cassidy's would feature upscale burgers, bakeries and ice-cream stands. Cassidy's would probably have more limited service, Hopf said. The Cassidy's was expected to open in October, the Colorado Cafes early next year.

The third agreement would sell three Chuck E. Cheese units—two in Virginia and one in Maryland—to an investor group at an estimated price of $200,000 each.

All agreements must be approved by the court, under the terms of the Chapter 11 filing.

Family Entertainment said it filed for protection after it failed to reach an agreement with its principal creditor on how the raised capital should be used. Hopf said he wanted it used to reduce the working capital deficit, but the bank wanted it applied to long-term debt.

The franchisee posted a first-quarter loss of $11,464 on sales of $3.7 million. In 1983 the company had a net loss of $3.2 million on sales of $20.3 million.

Sales have plummeted at Chuck E. Cheese pizza parlors nationwide, according to analysts, because of concept oversaturation, mediocre food and a decline in the popularity of video games. The stage shows that feature computerized animated characters are still popular with young children but not with their parents.

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Wendy's net up 35% to $19M in 2nd qtr.

DUBLIN, Ohio — Still propelled by the twin booms of "Where's the Beef?" and baked potatoes, Wendy's International posted a 35% year-to-year leap in net profit to $19.25 million for the second quarter, ended June 30.

Revenue rose 38%, to $240.4 million, and systemwide sales rose 32%, to $621.4 million. The number of outlets in the fast-food burger chain increased to 2,815, 11% over the year-earlier total.

Year-to-date, Wendy's reported a 33% net profit gain to $32.3 million, a 36% rise in revenue to $445.9 million, and systemwide sales of $1.16 billion.

FINANCIAL JOTTINGS

Winners moves to New York Exchange

NEW YORK — The common stock of Nashville-based Winners Corp. has moved from over-the-counter trading to the New York Stock Exchange. The company operates and franchises the Mrs. Winners chicken-and-biscuits chain and operates franchised Wendy's outlets. For chairman Jack Massey, it is the third time he has seen one of his companies join the Big Board. His two other successes were Kentucky Fried Chicken and Hospital Corp. of America.

Del Taco seeks funds for new construction

COSTA MESA, Calif. — Turning to an increasingly popular financing method, Del Taco Inc., a privately held California fast-food chain, has filed a plan with Government authorities to raise $13.8 million in a tax-sheltered partnership.

The company, which is unaffiliated with W. R. Grace & Co.'s Del Taco chain, will use the funds for new restaurant construction.

The plan calls for investors in the partnership to finance and own the restaurants, while leasing them back to Del Taco. The investors get tax breaks such as depreciation and investment tax credits, while Del Taco gets to operate the units without incurring new debt.

Past users of the tactic include Burger King, which has used it to aid franchisees, and a Duff's Famous Smorgasbord franchisee, Sunbelt Paragon of Lebanon, Ohio.

PepsiCo 2nd-qtr. operating profit up 25%

PURCHASE, N.Y. — Operating profit from PepsiCo's food-service division, which includes Pizza Hut and Taco Bell, increased 25% in the second quarter compared to the same period last year.

Total food-service sales were up 22%. PepsiCo does not break down its results for each chain.

The company also reported that average sales per store increased 12% in the third quarter and that real sales, taking menu price hikes into account, were up 8%.

The gains were attributed largely to the successful introductions of new products at Taco Bell. According to other reports, the Taco Salad has resulted in a 30% sales gain.

Overall, PepsiCo reported a net loss of $42.5 million for the quarter ended June 16.

PepsiCo's total revenue for the quarter was up 12% to $1.88 billion.

More FINANCIAL JOTTINGS on page 89.

EARNINGS REPORT

Company	Period	Period Ended	Revenues*†	% Change	Net Income (Loss)*	% Change
A&M Food Service	3 mos.	6/12	$ 7.600	29.0	$ 0.426	– 6.0
Associated Host	3 mos.	6/28	23.970	4.0	1.065	6.0
	9 mos.	6/28	71.120	4.6	2.990	32.0
Big Bite	3 mos.	6/30			0.033	
	6 mos.	6/30			0.055	
Church's	6 mos.	6/10	233.500	18.0	17.700	– 5.8
	3 mos.	6/10	125.800	19.0	10.900	2.8
Diversifoods	3 mos.	6/30	146.200	20.0	9.700	2.0
	6 mos.	6/30	271.900	18.0	9.700	2.0
El Chico Corp.	12 mos.	6/1	78.100	21.0		
El Torito	3 mos.	6/30			2.199	53.0
	6 mos.	6/30			4.934	68.0
Flakey Jake's	3 mos.	6/17	1.800	189.0	0.254	
	6 mos.	6/17	3.300	320.0	0.384	
Fresher Cooker	3 mos.	6/10	0.914	48.0	(0.320)	
	6 mos.	6/10	1.599	34.0	(0.567)	
Frisch's Restaurants	12 mos.	6/30	125.600	12.0	4.860	19.0
	3 mos.	6/30	32.800	19.0	1.800	
Fuddruckers	3 mos.	6/30	5.400	211.0	(0.154)	
	6 mos.	6/30	9.720	219.0	(0.353)	
Gadgets	5 mos.	5/27			(3.572)	
Holiday Inns	3 mos.	6/29	453.900	14.0	34.700	– 11.0
	6 mos.	6/29	856.400	15.0	60.700	– 2.0
Horn & Hardart	3 mos.	6/30	93.700	6.0	3.700	9.0
	6 mos.	6/30	180.100	13.0	6.100	
Hungry Tiger	4 mos.	6/8	21.400		0.463	– 23.0
	9 mos.	6/8	52.400	12.0	0.667	– 44.0
Imasco Ltd.^{C}	3 mos.	6/30	1,016.490	44.0	51.940	18.0
Int'l Dairy Queen	3 mos.	7/1	37.900	8.0	2.500	4.0
	6 mos.	7/1	65.700	18.0	3.200	14.0
Int'l King's Table	12 mos.	6/30	78.200	56.0	3.800	58.0
	3 mos.	6/30	18.800	21.0	0.984	16.0
JB's Restaurants	4 mos.	7/1	22.200	31.0	1.000	23.0
	9 mos.	7/1	48.700	23.0	1.900	27.0
Jerrico	12 mos.	6/30	496.456	9.0	20.355	– 4.0
	3 mos.	6/30	129.702	9.0	6.822	6.0
La Quinta	12 mos.	5/31	136.800	21.0	12.800	– 5.0
	3 mos.	5/31	38.00	25.0	3.200	– 9.0
McDonald's	3 mos.	6/30	882.00	12.0	108.600	13.0
	6 mos.	6/30	1,640.300	13.0	183.600	13.0
Mr. Steak	3 mos.	7/1	17.060		(0.563)	
	9 mos.	7/1	49.790	10.0	(0.535)	
Nathan's	3 mos.	6/24	6.100	413.0	0.739	76.0
Pancho's Mex. Buffet	3 mos.	6/30	22.754	26.0	0.981	35.0
	3 mos.	6/30	8.281	29.0	0.425	28.0
Pizza Inn	3 mos.	6/24	48.640	30.0	1.100	9.0
	6 mos.	6/24	87.020	20.0	1.900	– 3.0
Po Folks	3 mos.	6/29	29.300	53.0	1.300	198.0
	9 mos.	6/29	75.800	56.0	2.300	162.0
Ramada Inns	3 mos.	6/28	148.133	1.0	0.739	
	6 mos.	6/28	292.346	6.0	1.187	
Restaurant Associates	3 mos.	6/27	32.770	8.0	0.564	– 8.0
	6 mos.	6/30	62.770	9.0	0.577	– 17.0
Restaurant Systems	3 mos.	7/14	8.540	27.0	0.506	64.0
	6 mos.	7/14	19.290	27.0	2.310	29.0
Ryan's	3 mos.	6/27	7.956	70.0	0.812	66.0
	6 mos.	6/27	14.906	74.0	1.564	69.0
Saga Corp.	12 mos.	6/30	1,131.000	12.0	31.000	19.0
	3 mos.	6/30	305.700	19.0	6.400	68.0
Sandwich Chef	12 mos.	6/30	25.630	27.0	0.704	– 18.0
	3 mos.	6/30	6.760	19.0	0.218	– 16.0
Sea Galley Stores	6 mos.	6/30	32.600	– 7.0	2.300	
	3 mos.	6/17	16.600	– 11.0	1.700	
Shoney's South	3 mos.	7/8	40.320	18.0	2.000	67.0
	3 mos.	7/8	87.230	17.0	3.960	67.0
Sis Corp.	3 mos.	6/30	2.050	99.0	0.055	– 18.0
	6 mos.	6/30	3.460	106.0	(0.042)	
Swensen's	3 mos.	6/30	3.100	– 31.0	0.284	13.0
	6 mos.	6/30	5.700	– 33.0	0.023	
T.G.I. Friday's	3 mos.	7/2	71.200	22.0	3.400	14.0
	6 mos.	7/2	136.500	23.0	6.500	25.0
Taco Viva	12 mos.	5/31	21.800	38.0	1.100	33.0
	3 mos.	5/31	5.700	25.0	0.253	64.0
Transworld	3 mos.	6/30	504.200	9.0	29.900	280.0
	6 mos.	6/30	967.700	9.0	49.200	
USA Cafes	3 mos.	6/30	4.900	54.0	0.682	82.0
	9 mos.	6/30	11.900	37.0	1.445	70.0
Walt Disney Prod.	9 mos.	6/30	1,192.800	26.0	85.700	25.0
	3 mos.	6/30	483.300	35.0	45.400	112.0
Wendy's International	3 mos.	6/30	240.431	38.0	19.250	35.0
	6 mos.	6/30	445.898	36.0	32.263	33.0
Winners Corp.	3 mos.	6/30	28.100	32.0	0.801	10.0
	6 mos.	6/30	52.398	34.0	1.111	– 7.0

Source: *Company earnings reports*

^{C} *in Canadian Dollars*
— *loss in corresponding period*
* *In millions*
† *In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.*

New products: Why some succeed, others fail

By Charles Forman
Executive Editor

With new-product mania becoming a permanent part of the fast-food scene, an old question is haunting the mini-units, the drive-thrus and the modular construction sites more than ever before.

Why does one new entry end up driving sales and margin gains—and executive bonuses—while another ends up dangling as hopelessly as Nixon wanted to let his FBI director, Pat Gray, dangle?

Why does one new burger or sandwich or trendy repackaging of the potato capture consumer imagination and dollars, while another new addition is forced to whimper into oblivion after a brief run on the menu board?

Unfortunately, the new product scoreboards that some chain leaders keep in secret chambers down the hall from their offices have room on them for just about everything but the answer to the question Why?

It's dreadfully important, though. Fast-food facilities are still rightfully called limited-menu restaurants. They're limited in terms of space and production facilities, if not anymore in terms of the number of items they'd like to move across the counter.

So, while marketing guys are out feeling the consumer pulse and rereading their texts on product life cycles, operations mavens are pulling their hair figuring out how they're going to make this brave new world work.

Competition

Major chain intros are big gambles. Wall Street fidgets and everyone has his calculator in hand. At some companies, when a new dinner line bombs, the chief executive changes jobs. When a hamburger crusted with bacon becomes a best seller, the hero's wreath crowns a new brow.

One of the most fascinating product battles for a bystander to focus on at the moment is the crossing of swords by Wendy's and Burger King with their salad bars.

WENDY'S

Product Information by Quarter

Salad Bar

1982	Per cent of Overall Sales	Product Price
1st Quarter	6.67%	$ NA
2nd	7.46	NA
3rd	4.78	NA
4th	4.84	NA
Total 1982	6.09%	$ NA
1983		
1st Quarter	6.36%	$ NA
2nd	10.65	2.18
3rd	11.02	2.22
4th	8.26	2.20
Total 1983	9.97%	$2.20
1984		
1st Quarter	7.64%	$2.28

Baked Stuffed Potato

1983	Per cent of Overall Sales	Product Price
1st Quarter		$ NA
2nd		NA
3rd	10.70%	1.74
4th	12.30	1.74
Total 1983	12.00%	$1.74
1984		
1st Quarter	10.07%	$1.77

Taco Salad

1983	Per cent of Overall Sales	Product Price
1st Quarter		$ NA
2nd	4.33%	2.15
3rd	3.98	2.27
4th	2.73	2.27
Total 1983	3.40%	$2.26
1984		
1st Quarter	3.13%	$2.29

Bacon Cheeseburger

1983	Per cent of Overall Sales	Product Price
1st Quarter	8.70%	$ NA
2nd	6.82	1.72
3rd	6.29	1.71
4th	5.15	1.70
Total 1983	6.64%	$1.71

Source: Restaurant Trends

JACK-IN-THE-BOX

Product Information by Quarter

Dinner Menu

1983	Per cent of Overall Sales	Product Price
1st Quarter	6.38%	$ NA
2nd	18.83	3.32
3rd	10.33	3.03
4th	12.97	3.18
Total 1983	11.98%	$3.17
1984		
1st Quarter	8.65%	$3.23

Source: Restaurant Trends

Neither is brand-new. Burger King added its salad bar during the second quarter of 1983. Wendy's was first, entering the market a year earlier.

At both burger chains product sales levels appear stable. But a difference in performance, that is to say, simple popularity, is evident.

HARDEE'S

Product Information by Quarter

Mushroom Burger

1983	Per cent of Overall Sales	Product Price
1st Quarter		$ NA
2nd		NA
3rd	7.30%	1.63
4th	7.07	1.63
Total 1983	7.03%	$1.63
1984		
1st Quarter	4.02%	$1.64

Source: Restaurant Trends

According to information provided by Restaurant Trends, in Middletown, N.J., from the second quarter of 1983 through the first quarter of 1984 the Burger King salad bar's strength in individual unit menu mixes has been eroding.

Salad bars do sink in popularity during the colder months, but the average 2.98% of overall unit sales Restaurant Trends reports for the 1984 first quarter means a lot of customers are shunning this particular salad bar.

BURGER KING

Product Information by Quarter

Salad Bar

1983	Per cent of Overall Sales	Product Price
1st Quarter		$ NA
2nd	4.50%	2.14
3rd	3.41	2.19
4th	2.95	2.18
Total 1983	3.33%	$2.18
1984		
1st Quarter	2.98%	$2.26

Salad in a Pita

1983	Per cent of Overall Sales	Product Price
1st Quarter		$ NA
2nd	1.94%	1.11
3rd	2.63	1.13
4th	1.58	1.14
Total 1983	2.03%	$1.13
1984		
1st Quarter	1.53%	$1.21

Fish Sandwich

1983	Per cent of Overall Sales	Product Price
1st Quarter	6.30%	$ NA
2nd	5.50	1.25
3rd	5.02	1.27
4th	4.05	1.25
Total 1983	4.82%	$1.26

Source: Restaurant Trends

A look at the sales trends reported for Burger King's salad in pita bread validates this view.

The pita bread product's only purpose is to make the salad bar more attractive. After an interlude of popularity last fall, sales of this product have slumped, and Restaurant Trends says that some units that previously reported the pita salad are no longer selling it.

Wendy's salad bar meanwhile appears to have found a nice niche. First-quarter 1984 sales were measured at 7.64% of overall store sales.

A pattern of seasonality appears established; summer peaks of over 10% of overall unit sales look good.

Finds Niche

Wendy's, too, has moved to augment salad bar potential, offering a taco salad, which Restaurant Trends reports is generally popular in all parts of the country.

Wendy's salad bar sales do seem somewhat more price sensitive than Burger King's, but obviously this has nothing to do with the performance gap between the two chains' products.

What accounts for the disparity?

That's the kind of tough question—without the advantage of hindsight—that is currently sending more than a few chain chieftains on white-knuckle trips as they ponder and begin to execute their own new product rollouts.

With hindsight, a couple of problems Burger King might be having come to mind:

- Many Burger Kings have no place to put their salad bars except in what is virtually the store's entryway, an esthetically unattractive positioning.
- Burger King crews are not traditionally as oriented to cleaning and clearing—a salad bar must—as Wendy's crews are.
- In many locations Burger King's customer demographics may not include, and may not be attracting, as many women and others likely to patronize salad bars as is the case at Wendy's. (Burger King's salad bar is having some of its worst luck in the chain's Southern stronghold.)

Strategy

The answers aren't easy to come by; they're just important to look for.

Many chains appear under pressure to develop and field new products even when the odds for success don't look good.

One thing all the burger chains would like to know is what to do with the dinner period. Some learning by the other fellow's experience may come from Jack-in-the-Box's run with its dinner-in-a-box product.

Jack-in-the-Box's dinner was introduced early last year. Tracking by Restaurant Trends shows it on something of a roller coaster so far. The bias is downward in terms of its percentage of overall store sales, but it's had some impressive peaks.

A product currently on the ropes is Hardee's mushroom burger. Sales as a portion of the total mix took it on the chin the first quarter of this year. Speculation is that the mushroom burger might soon disappear from the Hardee's menu.

In general, each new product has the potential to be a winner or a loser or a middling runner for its sponsors. Often success is built on a media blitz. Often failure is determined by poor quality control or poor execution in the product's presentation.

Meanwhile the marketers have convinced the fast-food industry that never-ending new product development is one way to a glorious future.

Now the industry needs to persuade the marketers to put on their thinking caps early and discover why some products will fly beyond anyone's wildest dreams and why others will sputter and crash, to no physical harm but the embarrassment of all concerned.

For further information on Restaurant Trends research, write or phone Carl DeBiase, Restaurant Trends, 1000 Highway 35, Middletown, N.J. 07748. Phone 201-671-4444.

Feds plan restaurant code

WASHINGTON — The U.S. Census Bureau has set an Oct. 1 deadline for receiving proposals to revise the Standard Industrial Classification Code, which is used in developing statistical reports on major sectors of the American economy.

The Census Bureau's current definition of "eating places" includes automats, beaneries, box lunch stands and, of course, restaurants. "Drinking Places" include bars, and also beer gardens, bottle clubs, saloons and taprooms.

Proposals can be sent to: Chairman, Technical Committee on Industrial Classification, Statistical Policy Office—OIRA, Office of Management and Budget, Room 3019—NEOB, Washington, D.C. 20503.

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